LONG AND SHORT TERM LEASEHOLDS

STANLEY L. McMICHAEL

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LONG AND SHORT TERM LEASEHOLDS

Including
Ninety-Nine Year Leases

By

STANLEY L. McMICHAEL

REALTOR

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ENDORSEMENT

"Long and Short Term Leaseholds," the first of a series of text books planned by The National Association of Real Estate Boards, is refreshing in narrative and rich in significant detail.

The author is a student and writer of large experience, a Realtor of national reputation, and his work in its SECOND EDITION has been admirably revised, broadened in scope, and amplified in addenda.

"Long and Short Term Leaseholds" appeals to the practical man, and is recognized by The National Association of Real Estate Boards as a **standard reference** for workers and libraries in a field of ever increasing and commanding importance.

(Signed) IRVING E. MACOMBER,

Chairman of the Publication Council, National
Association Real Estate Boards.

Toledo, Ohio,
Dec. 2, 1922.

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FORWORD TO SECOND EDITION

A most cordial reception having been accorded by realtors, attorneys, investors, librarians, bankers, and others, to the first edition of this volume, a new and amplified second edition is herewith offered with the hope that it will serve a much wider field. The book has been increased in size to include eight new chapters, three dealing with long term leases, and five with short term forms. Fifteen complete new lease forms have been added to the addenda for reference purposes. It now comprises a complete exposition of forms of property leases such as are commonly used at this time.

The initial edition was the first comprehensive treatment of the history, theory and practical application of leases ever offered. The wide interest the volume evoked, despite the fact that it dealt almost solely with ninety-nine year leases, was extremely gratifying. There seems to be a very definite inclination on the part of many persons to explore this interesting business field.

In compiling this second edition assistance was given the author by B. Howard Richards, Baltimore, and Ira A. Lurie, of the Joseph P. Day Co., New York, nationally operating chain store brokers; Wm. Martien, of Baltimore; Walter S. Schmidt, of Cincinnati; Philip P. Paschel, of San Francisco; Irving B. Macomber, of Toledo; Paul E. Gleason, Robert F. Bingham, and Edgar A. Hahn, of Cleveland, as well as other nationally known experts on leasing subjects.

Scores of congratulatory letters, gratefully acknowledged, and the fact that the first edition was so rapidly absorbed, indicate that the volume is filling a definite need in the national real estate field.

Conceived and published in a spirit of genuine service, its cordial acceptance has been its own reward.

STANLEY L. McMICHAEL.

Realty Building, 1222 Prospect Avenue,
Cleveland, Ohio, January 1, 1923.

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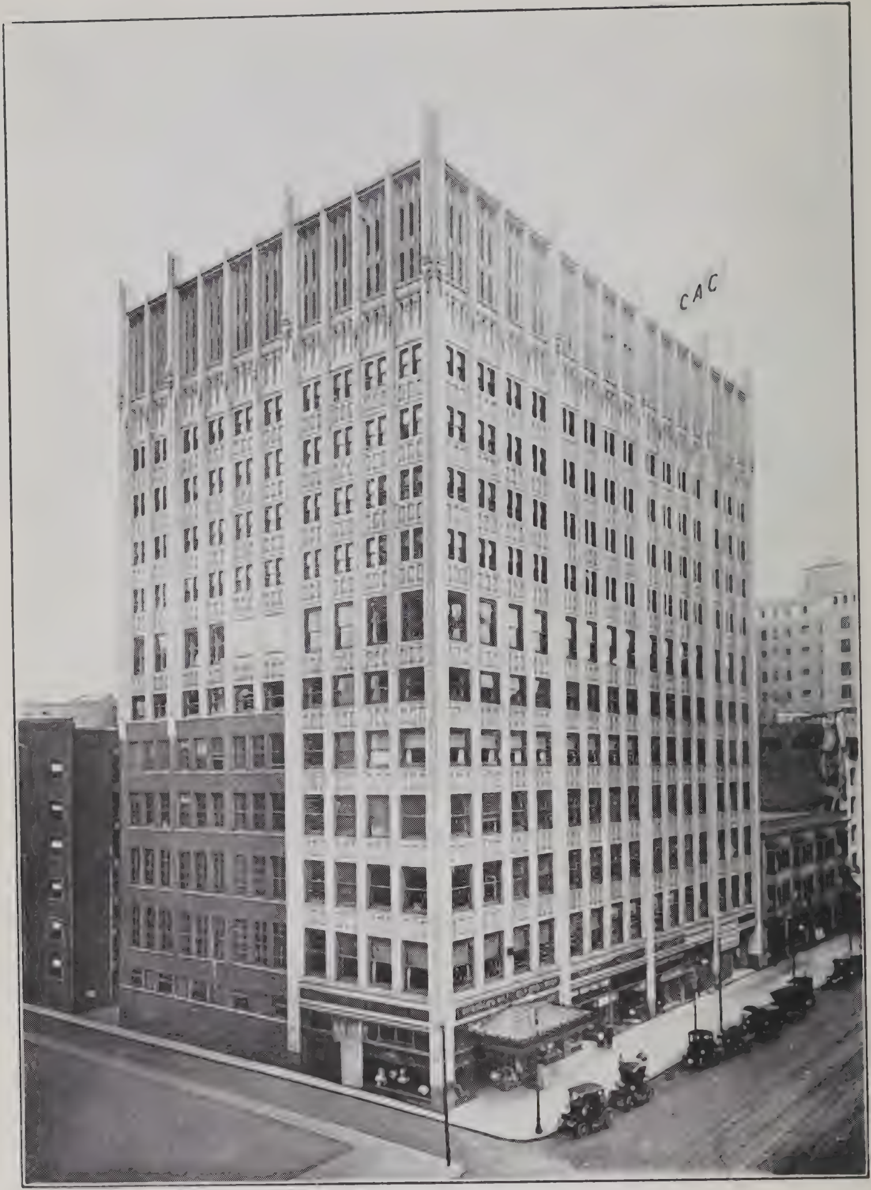


A REMARKABLE "SKY LEASE"

A most unusual ninety-nine year lease was executed in 1910 when the Cleveland Athletic Club leased the sky rights to a five story, high grade fireproof building on Euclid Avenue, and erected thereon eight additional stories. Where the upper structure joins the lower one can be clearly seen. The club pays $15,000 a year rental for its space, also building taxes, but no land taxes. The upper stories revert to the lessor at the end of the term upon payment of their appraised value, as "they add to the value of the land" (See reference in Chapter 3 on "Unusual Long Term Leases").

Long and Short Term Leaseholds

CHAPTER I.

DEFINITION AND ORIGIN.

A lease for years is a binding contract between an owner, called the lessor, and a recipient, called the lessee, for a recompense by rent or other considerations on the one side, and the possession and profits of lands and improvements on the other.

A lease, therefore, secures possession of land and buildings for a definite period of time in consideration of the regular payment of rent therefor, and other definite obligations.

The lease itself is a written instrument or contract, binding owner or lessor, and tenant or lessee, to fulfill certain covenants or agreements. The tenant's interest created thereunder is known as a "leasehold estate," but is commonly referred to as a "leasehold." The written document is termed the "lease."

A sub-lease is one in which an original lessee continues liable on the lease, but sub-lets premises at an agreed rental, the sub-lessee being fully bound by all the covenants of the lease on which the original lessee is held. The original lease then is referred to as the "underlying" lease.

The practice of leasing lands for a term of years and stated considerations extends back to the early Roman Empire. Altho the history of the practice as followed there seems shrouded in antiquity, there is little doubt but that the rulers of the early empire exercised absolute control over all the land and apportioned it out among a favored few, who became the overlords of their time and generation.

Having large areas of land, which they were not able to cultivate, or realize a profit from, they devised a rental or leasing system which has its counterpart today in modern long term leases. Those early leases were referred to as "emphyteusis." This practice of leasing had existed in some of the eastern Roman provinces even before the Roman empire. The grantee was called the "emphyteuta" and did not become actual owner of the property, but simply had the right of possession under certain stipulated conditions.

It conferred upon him a perpetual right to himself and his heirs to possession of the land included in the grant in consideration of a fixed annual payment, but he was not entitled to abandon it, nor was he able to free himself of his obligations without his lord's consent. The latter was entitled to hold the grant forfeited if the tenant fell three years in arrears in his rent (in church lands for two years), or if the land taxes were in arrears for a similar period. Provision was also made that he could not alienate (transfer) the land or assign or sub-lease the premises without the lord's consent and the lord was only willing to consent to sale or assignment upon ascertaining that he was not to be a financial loser by the transaction.

If the alienation was by sale the tenant was required to state the price fixed, so as to give the lord his statutory right of buying it in at the same price. All conditions having been met, and the lord's consent having been acquired, the tenant then had the right to proceed by paying a two percent commission to the lord on the consideration involved. These early lords, therefor, were the first to collect commissions on the transfer of real estate.

Leases in perpetuity were granted by the Athenian government upon mines owned by the state. A certain sum in cash was paid at the outset as security and the annual rental fixed at four per cent of the profits. The lessee could sell or borrow money upon his lease. Gold mines in Thases and silver mines in Laurium were held in this way. Perpetual leaseholds on arable land in Attica were mentioned in lists of property by the Grecian orators as early as 500 B. C.

It was doubtless from this early source that land leases came into existence in England, from which country America inherited them. The feudal or baronial system as practiced in England was patterned after the Roman one. English kings claimed the ownership of all the land in their kingdom and the laws of Great Britain recognize even today no absolute private ownership in land, which is still in the crown. The highest interest a mere subject can hold is an estate in fee simple, which is only a tenancy, at best, in Great Britain.

Early English barons, being in exactly the same condition regarding their lands as were the earlier Roman lords, fell back upon the system of renting or leasing their properties, and it was in England that the system of long term land leases was refined and practiced widely. Today many noble British families own extensive holdings in the business centers of large cities. The Duke of Westminster, for instance, is tremendously wealthy, possessing as he does large areas of business property in the city of London under long term year leases, some of which have entered upon successive terms of 99 years each.

Just why leases came to be made for a period of ninety-nine years is uncertain. Matthew Bacon, author of "A Treatise on Leases and Terms for Years" published in London, England, in 1798, explains in various parts of his book that the ninety-nine year period represents three lives, but Bacon does not indicate why such a term was selected as the length of time a lease was to prevail. It is supposed by some that there was an English common law which prevented a lessor from granting a lease for 100 years and that it was therefore made for a somewhat briefer period, but no real evidence has ever been found to substantiate this theory.

In England during the sixteenth century it was common practice to make leases for a term of three lives or a period of 99 years. It is presumed to be upon the theory that the lease should last thru three generations as it has been common practice to accept thirty-three years as the span of a single generation.

Prior to the reigns of Henry VII and Henry VIII, leases were not regarded in the almost sacred manner in which the law now observes them. They were easily voided and the lessee often dispossessed and paid only a nominal sum for the value of his improvements and that could only be collected after suit had been instituted, the case tried and the verdict rendered in his favor. Acts were passed during the reigns of Henry VII and Henry VIII enabling the tenant to retain or recover posession of leased land and from that time on the making of long term leases flourished in England and leases became a matter of valuable possession.

English leases have been made as early as or earlier than the reign of William the Conqueror, as a few years ago a report was published that a lease for 999 years executed in London had expired and heirs of the original lessee were again granted possession of the premises.

Lord Coke, who lived in the reign of Queen Elizabeth, in his writings on the subject of leases suggested that a lease for 1,000 years might on its face suggest fraud and it is thought that to avoid such a contingency the lessors of those early days set upon 999 years as the extreme limit for the life of a lease. Such leases, in any event, were made at that time.

In most American cities, however, the term of 99 years is usually selected, tho some leases on valuable city property stipulate that the lessee shall have the right to renew his lease forever at the end of the initial term.

England, in following its practice of leasing land for long periods, has handed down many of the peculiarities of the present system. Modern demands and conditions, however, have resulted in the introduction of new features in different parts of the country and the result is that there is a decided lack of uniformity in the matter.

Leasing for terms of years, particularly long terms, was first introduced into this country extensively in the cities of Baltimore and Philadelphia, settled largely by English colonists. In New York, settled by Hollanders, leasing was not known until a much later date and indeed, even today is not practiced as extensively as elsewhere.

Laws in different states of the Union frequently limit the term for which leases, particularly on agricultural land, may be made. This was evidently done to prevent the setting up of landlordism of a baronial type. It is well for one to become thoroughly familiar with the laws governing the state in which one lives but beyond such specific state regulations the principles of making leases are practically the same thruout the entire country.

Modern long term building leases, such as are used extensively in large American cities, came into general use from 1870 to 1880 and differed from earlier land leases, inasmuch as the lessee obligated himself to improve the leased property with suitable buildings within a given period, thereby enhancing it in value. These more modern leases also required the lessee to furnish bond that he would not only pay his rent promptly, but also would live up to his building covenant when the time came due for its enforcement.

The application of the ninety-nine year lease in developing urban communities is still in its infancy, being practiced in but few of the larger cities of the United States and Canada. It is certain to see a big expansion within the next few years. Cities having a population of twenty-five or thirty thousand people upwards are now giving attention to this means of building up business districts. Communities smaller than that seldom have their trend of development definitely enough anticipated to make leasing a sound investment except in a few instances where business is definitely anchored and the future of a long term lease is absolutely secured. Every real estate broker, however, should know the essentials of leasing so he may utilize the method if the time, place and occasion properly present themselves.

CHAPTER II.

MARYLAND'S REDEEMABLE GROUND RENTS.

One of the pioneer states of the Union to adopt ninety-nine year leases was Maryland. Due to peculiar circumstances, which do not seem to exist elsewhere, there was an aversion against the practice of making long term leases in that state. Leases now made in Maryland for a period longer than fifteen years are, by statutory enactment, made redeemable after five years, at the option of the lessee, and without the consent of the lessor.

There is one exception to this sweeping provision, and that is where property is being used for business purposes. Under the act of 1914, an exception is made of business property leases where such leases contain a clause prohibiting assignment or subleasing without the written consent of the landlord. In such instances, a lease may be made for a term of twenty-five years, after which time it is redeemable.

Original "irredeemable ground rents" were a development from the old feudal system by which land was held in tenure and an annual payment was made in some product of the soil, such as tobacco, an arrow, the skin of a wild animal, or some such standard value.

When Lord Baltimore, the English noble, obtained the grant from Maryland he became the owner of the land and all its inhabitants became his tenants. In this way he transplanted the system of long term leases from England to America.

Leases in Maryland originally were made for ninety-nine years renewable forever. Following the system of paying rentals in tobacco, arrowheads, or hides, a monetary consideration was evolved and there gradually developed a system of leases for ninety-nine years, renewable forever, which leases created two distinct estates.

The owner of the ground rent, or "the reversion," as it is termed, had only the right to collect an annual or semi-annual sum for the use of his property. He had no right of possession whatever until after default by the lessee. The leasehold owner who held that estate was entitled to full possession and use, and as long as he met the ground rent payments he could not be disturbed.

When the first ninety-nine year leases began to expire, the Maryland courts held that they renewed themselves automatically and that they were in fact irredeemable and perpetual. Thus tracts of land thruout Maryland's largest city, Baltimore, were held by old estates, which refused to sell their reversionary interests and it was found that important building developments were sometimes retarded. In some cases there would be an insignificant rental on a tract of land that a lessee desired to improve. Sometimes this land would be located in the middle of a city block and the entire block would be affected because this one particular "ground rent" could not be obtained. Hence, there developed a popular clamor to do away with the so-called "irredeemable ground rents," fostered possibly by persons who saw a chance to gain ownership of leased land very cheaply.

The change was first made effective by the act of 1884, which provided that all leases executed after April 1, 1884, should be redeemable at a capitalization not lower than four per cent, after a period of fifteen years from the date of the execution of the lease. As a low capitalization was provided practically all rents from that time until the next change of the act were redeemable at four per cent. For instance, to redeem a $60 rent would cost $1500. These rents became known in Baltimore as "Fifteen Year Fours."

This initial action was followed by an act which provided that in all leases executed after April 1, 1888, the rent would be redeemed after ten years at a six per cent capitalization, providing a previous notice of six months had been given. This act was followed by another in 1900, which stipulated that all leases executed after April 1, 1900, would be redeemable on thirty days' notice at six per cent, providing a period of at least five years had elapsed on the lease. In 1921 that was the condition of the law in Maryland. Any lease made for a greater period than fifteen years is thus redeemable after five years.

Some years ago, a lease was made for fourteen years in Baltimore with an agreement to renew for a further period of fourteen years. The court of appeals in the case of Stewart vs. Gorter held that this was a greater period than fifteen years and that the rents were redeemable. There is no specific law in Maryland against long term leases, except the enactment making long leases redeemable, at the will of the lessee.

It is held that, after all, a redeemable ground rent system permits the developer of property to borrow from one who wants a secure investment and also to borrow from a building association which requires its money returned in weekly installments. The plan has extensively developed whereby a building association accepts a first mortgage on the leasehold, thus providing a sort of a scheme for amortization.

A concrete example of this: If a man acquires a property for $5,000 in fee, he would ordinarily be able to borrow about $2,500 on a first mortgage. Under the ground rent plan, as practiced in Baltimore, he would create a ground rent of $90 which would be worth $1,500 and he could also borrow at least $2,000 from a building and loan association, thus giving him a borrowing limit of $3,500. As the principal of the ground rent can never be recalled and as the building association mortgage is wiped out by weekly payments, a home buyer has practically no additional financing to do.

It has been the experience of real estate operators everywhere that straight mortgages nearly always come due at the wrong time because when money is easy, mortgagees are glad to renew loans and when money is tight, they demand payment, or raise interest rates. Most mortgagors renew loans or place them elsewhere and seldom pay them in full unless forced to do so.

It is the contention of prominent realtors in Baltimore that the time for the redemption of rents should be extended at least to ten years, thus giving the investor a ten-year investment. Leases which have reached the redemption period are known as "expired rents" and are usually sold at a discount because of the uncertainty of tenure.

The Maryland legislature, according to Baltimore operators, who are familiar with the situation, stupidly confused the modern ground rent system with the old irredeemable rents. Hence, the objection to long term leases. A small rent would often cover a large block of property and would prevent development, as the owner of the ground rent would refuse to sell for a reasonable compensation.

In Maryland the long term lease principle has been adapted to all sorts and conditions of property. There are thousands of single homesites under lease in Baltimore. If the principle of making long term leases had been applied solely to business properties on growing thorofares where values were almost always certain to advance, it is possible steps would never have been taken in that state to curtail the power to lease for a period of longer than fifteen years. The present Maryland system of creating a separate estate by which a building association may have a first mortgage on the leasehold enables the home buyer to finance his home much more easily than if compelled to operate thru first and second mortgages.

The ideal homesite lease, in the opinion of some Baltimore realtors, would be for ninety-nine years, redeemable at the expiration of ten years, with a notice of ninety days and then not be redeemable for another ten-year period. This would prevent property from being permanently tied up, at the same time giving investment to those seeking to keep their capital employed.

CHAPTER III.

UNUSUAL LONG TERM LEASES.

Many peculiar long term leases are to be found not only in England, but also in the United States, where leases have become most popular during the past quarter century, tho many antedate that time.

In England many curious leases exist. In the parish of Coleshill in Warwickshire, on Easter Monday each year if the young men of the parish catch a rabbit before 10 o'clock and take it to the vicar they receive, or should receive, from him according to the lease a calf's head and 100 fresh eggs for breakfast. The vicar holds his plot of land on these conditions.

The tenants of Bury House, in the New Forest, Hampshire, retain possession of their lands on condition that they present the reigning monarch when he or she visits the forest with a pair of milk white greyhounds. Similar leases may be found where land is held on the payment each year of some quaint form of rent other than money, to the reigning sovereign whose ancestor many years ago apportioned out the land. Efforts have often been made in England to have Parliament declare invalid these odd contracts but with scant success.

A curious lease exists at Maheim, Pa., where stands the Red Rose Church, a small place of worship leased in 1772 to the community on the annual payment of one red rose by each member of the congregation to the descendants of William Spiegel. In addition to the roses the congregation must pay five shillings in money —actual English shillings, not American equivalent in value. The annual payment of rent each June is a picturesque proceeding and attracts many visitors.

A lease for 1,000 years, made between brothers-in-law, in the city of Boston in 1817, recently figured in litigation, the length of the term not being involved, but the manner in which rent was to be paid being the issue. The lease stipulated that rental was to be paid in Russian sable iron, which at the time of the litigation was unobtainable, due to the fact that it was no longer being manufactured. Being unable to obtain Russian sable iron, the lessee tendered the lessor its equivalent in money, the amount being based on the last market price of Russian sable iron quoted in Boston. The lessor, evidently wishing to terminate the lease, refused to accept cash and brought suit to dispossess the lessee. The Massachusetts court hearing the case held that the tendering of cash in an amount equal to the last market price of Russian sable iron was sufficient to establish the good faith of the lessee and declined to void the lease, leaving the lessee in full possession of the property.

In another Boston lease the rental is paid in hay and grain and it is said that the tendering and accepting of the stipulated rental is regularly observed.

One of the most unusual leases on business property made in any city in the United States was executed in 1910. It recognizes and establishes the right of an owner or lessor to lease the air space above the premises he may occupy, the sky only being the limit. This lease has, therefore, become known as "Cleveland's sky lease."

An investor, W. M. Brown, leased a frontage of 150 feet on Euclid Avenue in what is now the very heart of the high grade retail business section of Cleveland. He erected thereon a five-story building capable of carrying a number of additional stories. His ground rent was $29,000 per year and he was required to pay all of the land taxes. Brown proceeded to lease to The Cleveland Athletic Club the space above his building, granting privileges in the way of access, stairways and elevators. The club erected an eight-story building on top of Brown's structure, one of the upper stories even containing a large steel swimming pool, one of the largest and finest in Cleveland. The club contracted to pay Brown a rental of $15,000 per year for the privilege of using the sky rights to his property. The club now pays taxes on its portion of the building, but has no ground taxes to meet. At the end of the ninety-nine year period for which the lease extends, Brown's successors or assigns must pay the club, or its successors, the appraised value of the club's portion of the building as it then exists and adds in value to the land. To further secure the club in the possession of its property, two original lessors who leased to Brown have joined in a lease to the athletic club, so in the event of the failure of Brown or his successors to faithfully perform their obligations, the club will be protected in the use of its portion of air space.

A lease, made a number of years ago in a Middle West city, was on a four family apartment. By its terms the lessee paid $200 per month for a period of sixteen years and then the land and buildings became his property upon an annual payment of $1. It was virtually a contract to sell the building and land on annual payments extending over the sixteen-year period.

A valuable business tract on Euclid Avenue near E. 105th Street, Cleveland, has a theater and commercial building erected upon it. The land was leased for fifteen years, the lessee erected a building costing about $100,000 and agreed that the entire property should revert to the lessors, who are several minor heirs, when they become of age, at the end of the fifteen-year period, in 1928.

In Cleveland another odd life lease was recorded, wherein an old man gave his daughter and son-in-law a lease on a homestead, the consideration being that the father was to retain one room, receive sufficient fuel to keep his stove going, a pint of milk a day and thirty-five cents per week.

Leasing of land and tenements was even practiced in the early Babylonian days, as evidenced by a lease, the form of which was discovered engraved on stone and dated 551 B. C. A digest of the lease is as follows:

> A house belonging to Nebo-iddin, the son of Sula, the son of Egibi, which adjoins the house of Bel-nadin, the son of Rimut, the son of the soldier, has been handed over by Nebo-iddin for three years to Nebo-akhi, the secretary of Belshazzar, for one and one-half manehs of silver, subletting of the house being forbidden. Interest on the money is stipulated. Nebo-akhi undertakes to plant trees and repair the house. At the expiration of the three years Nebo-iddin shall repay the money, namely one and one-half manehs to Nebo-akhi, and Nebo-akhi shall quit the house in the presence of Nebo-iddin. The witnesses are Kabtuja, the son of Tabula, the son of Egibi; Tabik-Zira, the son of Zergal, the son of Sin-isime; Nebo-ibin, the son of Ardia; and the priest Bel-basa, the son of Nebo-igbi. Dated at Babylon, the twenty-first day of Nisan, the fifth year of Nabonidos, King of Babylon.

In the city of St. Louis, Mo., there lives a woman who holds a lease in perpetuity upon a pew in Westminster Presbyterian Church given her by her father, the lease having been executed in 1851.

In Los Angeles a theatrical syndicate has taken a ninety-nine year lease on one of the corners of Broadway and Seventh St., and the lease has incorporated in it an unusual provision as a protection against the district changing so that in future years the theater may fail to be a paying investment and it may become desirable to convert it into office space, similar to the use to which part of this twelve-story building is being put. The lease provides that the lessee must deposit $10,000 per year for the first fifteen years, which sum can then be used for reconstruction purposes. If it is not necessary to do this, the sum of $10,000 of this $150,000 fund can then be applied yearly on the ground rent, which is well over $100,000 annually, until the fund is exhausted.

CHAPTER IV.

ADVANTAGES TO THE OWNER OR LESSOR.

Long term leases are of undoubted advantage to both lessors and to lessees.

Particularly is this so now that American cities are becoming more populous and more important commercially and industrially every year. The government looks to the rich urban communities to furnish the bulk of the taxes with which to keep the machinery of the country going.

By leasing land for a long term, with an option to buy at a given time or times, a business man can invest his money in improvements, renting the land at the same rate of interest that he would have to pay for money which he would be required to borrow to make an outright purchase. This enables the business man to put the bulk of his money into his building and retain that portion which would otherwise go for land, in the operation of his business, insured by a sacred contract that he or his successors will have possession of the land for a period long after he has ceased to have any personal interest in it. By proper provisions in the lease, assurance is given of continuous possession of the land for the term of the contract. Such a lease, renewable forever, is held under the laws of Ohio and certain other states to be a freehold estate and are held to grant the lessee all the rights of a freehold estate, and for purposes of inheritance, or devise, descend as an estate in fee simple. It is claimed that, technically, a lease containing clauses of defeasance or forfeiture cannot transfer, or be a freehold.

Blackstone, whose writings are accepted as basic in the legal profession, definitely approved long term leases, stating that they enable owners of land to make settlements on their children and also enable them to borrow money without disturbing or alienating the fee to their land.

Long term leases are of especial advantage to owners of valuable properties, which are in or on the edge of a rapidly growing business district. Often, for sentimental reasons, such owners dislike parting forever with old estates, but are not in a financial condition to properly improve their lands so they may earn the maximum revenue desired. By leasing to responsible parties they enhance the value of their land, for a tract of ground bringing a stipulated rental for a long term of years and properly improved with a building appropriate to the locality is considered one of the best investments procurable in any large city and is eagerly sought after by institutions, colleges, estates and individuals who desire to possess gilt edged investments.

Frequently an owner prefers to lease rather than sell as he may have no immediate use for a large sum of money, which he might have to reinvest and he may fear that in seeking a new source to place his capital, he might not select what would be a conservative and safe investment. Such funds might be placed in a new commercial or industrial proposition depending upon individual management which might not always return a regular and consistent rate of income. Altogether an owner feels that in the retaining of his land he will always be protected and due to its probable enhancement in value, he will for all time be assured of the income agreed upon in his lease. Leasing the property in no way, of course, prevents him from selling it and such fees subject to leaseholds are held to be among the safest and best paying investments obtainable.

Frequently there are minors to be provided for, and a business man, possessed of a well located tract of land, secures their future by placing such land under lease and then depositing the lease with an administrator, trustee or trust company to collect rentals and apply the same as they are received each month or quarter to the needs of the children as they grow up. Unless specifically prohibited in the lease from doing so the children when they become of age and enter into possession of the estate may dispose of the fee and divide the proceeds as their interests appear.

Frequently, too, an owner will have a tract of land which, due to its high value, does not attract a ready buyer. By simply having to pay an annual rental of five or six per cent on the value of the land a transaction can be negotiated, which will place the property in the market and cause its development in a manner worthy of it.

In days of money stringencies, it is often difficult to consummate a transaction which involves both the purchase of valuable land and the erection of an expensive building. By leasing the land the owner is able to place his premises in immediate service, regardless of the money market for he receives the interest on the money which represents the value of his land, which in almost any event would be loaned by a bank or an investment house, which would be called upon to assist the investor or lessee in negotiating the transaction.

Another most important consideration concerns income and excess profits tax laws. In the sale of valuable land the owner invariably has to pay tribute to the government and the more valuable the land he sells, the more he pays. If he sells his land, he will in all probability simply reinvest his money and he is not likely to receive a much greater rate of interest if he selects as safe and conservative an investment in which to place it. It is, therefore, of great advantage to him to be able to lease his land and receive his rentals regularly, the land being improved in the meantime to a degree that will greatly enhance his tax free investment, if the lessee thru misadventure, fails to perform the covenants of his lease.

Persons of means, who wish to provide for the future of their children and who fear that fortunes which they may have laboriously accumulated may be dissipated, now look with decided favor upon long term leases, for by their use they are absolutely assured of stated incomes without any impairment of the original investments, particularly when the administration of such estates is vested in reliable trustees or trust companies.

For the owner of valuable land the making of a properly safeguarded long term lease is comparable to his selling his land at a valuation as of ten or fifteen years hence, and reinvesting the proceeds of the sale in high grade bonds, tho it is doubtful if he will ever be able to reinvest his money assuring an income so sure, so certain as the return he will receive from well located land, owned in fee simple which has been placed under long term lease.

What better security can an owner have than his own land in which he has unbounded faith as to its utility and value? Instances can be related by the score where property owned by estates or individuals has been wonderfully improved and its value anchored indefinitely because the owner was wise enough to place it under long term lease, instead of selling it and investing the proceeds in more or less questionable securities. In the latter case the value of the security is due largely to the element of personal management and profits rise or fall according to business conditions. Such a thing is not possible in the case of a lease, where stipulated rental must be paid quarter by quarter, with no additional expense in the way of taxes, insurance or upkeep.

The practice of acquiring fees which are placed under long term lease and held for the benefit of the lessor's family is becoming more and more prevalent. Bankers and attorneys acting in the confidential capacity of advisors now recommend buying such fees as they recognize their value for investment purposes.

To an owner of valuable real estate, located in the pathway of business progress, the leasing of such land for a long term, surrounded by proper safeguards, all of which are enforcible by the courts and where the land has building improvements added to it and, therefore, becomes greatly enhanced in value, the negotiating of a long term lease is the best means, by far, for securing a certain and satisfactory return for all time to come.

CHAPTER V.

ADVANTAGES TO THE TENANT OR LESSEE.

Practical business men are readily impressed with the advantages of being able to lease land for long terms, realizing as they do, that they are thus enabled to borrow capital direct from the owner of land and pay interest on the investment in the form of rent to the lessor, rather than to a bank or investor for a loan.

Most business men operate largely on borrowed capital and it is almost axiomatic that the more successful the individual or corporation, the larger the amount of debt incurred. To be able to rent land for ninety-nine years with the definite assurance of possession and increment in value that a ninety-nine year lease usually carries with it is a real boon to a business man who is required to house a growing establishment. He is able to erect his building according to the covenant in the lease and use his available capital for the operation or expansion of his business rather than having to pay it over to a land owner for a site.

Altho sometimes attractive to an investor as a possible speculation, the long term lease is rather a vehicle which a wise business man can use to acquire a location suitable to his business, whether it be retail, wholesale, manufacturing or the building business. Wise real estate brokers emphasize this rather than the speculative features of leasing, as the latter are sometimes a detriment thru successive sales being made of the lease and values boosted to unreasonable levels, which sometimes tend to retard development which might otherwise have taken place had normal values continued to prevail.

In many cities, in former years, the choicest business sites were owned and developed by representatives of old estates, rentals being paid on short term leases by the business concerns occupying them. The merchant was at the mercy of a landlord who would listen to offers of higher rents and "play" one merchant against another.

Merchants, unless they wished to spend huge sums for land, had little assurance they would continue long in one location. This was particularly true of the newer concerns which had limited capital.

THEATRE BUILT ON LEASED LAND

Many large theatres are being erected on leased premises. This twelve story structure is at Broadway and Seventh St., Los Angeles. The annual rental for the land on a 98 year lease is $125,400. Improvements throughout the lease belong to the lessor and revert wholly to him at the end of term. The lessee merely has the use of the building and land for the term of the lease. The building was financed by a mortgage bond issue (See reference in Chapter 3 on "Unusual Long Term Leases").

Under a ninety-nine year lease a new concern can lease a site, erect a building and feel safe as regards tenancy for a long term.

Many of the cities of the United States have felt a stimulating effect along business thorofares immediately after the application of the long term lease principle. The practice of leasing has had much to do with the development of the newer retail districts in certain communities.

While an owner is able to realize and enjoy a portion of the increment on land leased for ninety-nine years, the lessee quite properly reaps a reward commensurate with the chance he takes of the district in which he locates always forging ahead and showing consistent increases in value. This increment, as the years advance, often amounts to an important sum and in case a lease is assigned sizeable bonuses can be collected, or if the property is sub-leased, advanced rentals are obtainable.

An advantage in leasing land rather than buying it is reflected particularly in periods of money stringency. The average man in buying land outright usually requires financial assistance from banks or other financial institutions and he places a mortgage upon the land to assist in acquiring it. When a money stringency occurs, banks have an awkward habit, sometimes, of calling loans or requiring them to be substantially reduced and the owner of the land has to busy himself in raising money to meet his obligation at a time when money is most difficult to obtain. This is entirely obviated under a leasing arrangement. The lessor takes the place of the banker, but he can demand nothing more than his rent, which represents the regular rate of interest on the investment. If the business man pays his rent regularly, he can defy the world to separate him from his location.

It is significant that even in the event a lessee suffers financial embarrassment, the courts which the lessor consults as a last resort, are loathe to separate a lessee from the land he holds under lease and usually give him a much better opportunity to straighten out his entangled affairs and set himself right with the world, than would a mortgagee demanding the paying of principal due him.

Frequently it is possible for a lessee to broaden his operations and in addition to securing quarters for his own business to participate in an investment, which the opportunity to control land under a long term lease affords him. For instance, let it be assumed that a dealer in books and stationery needs a new location. He acquires, thru long term lease, a sixty-foot tract of land, 200 feet deep, and by means of borrowed capital and money he is able to invest himself, he erects a two or three-story building on the land. He retains half of the street frontage, extending the extra store 100 feet deep and broadening out his own store in the rear. This gives the book dealer a large commodious store containing 9,000 square feet, and an extra store to rent, containing 3,000 square feet, besides extra space for both concerns on the upper floors and basement. If he wishes, he can have additional stories, provide an entrance way with stairs and elevators, and acquire much added rental from the facilities offered in excess of his own needs. Many a wise lessee has worked out this problem and is securing more revenue from his tenants than he does from the business he conducts.

Innumerable cases might be cited of merchants in the larger American cities in which long term leases are common, where the leases have a value far in excess of the business occupying the property. Many a merchant has struggled along under more or less adverse conditions until compelled to sell out his business. He is enabled, however, to sub-lease his property and retire with a fixed income for life, acquired largely because he had the vision to secure control for a long term of years of a piece of ground, which increased steadily in value.

A distinct advantage to a lessee lies in his ability to occasionally lease land which he could not buy outright. Possibly the will of some eccentric wealthy man has stipulated that the family homestead shall always remain in the possession of his children, as has actually been the case in several instances. It is found also that some owners of land, while they have a perfectly valid title to it themselves and possess the right to lease it, cannot sell it because of practically incurable defects. A business man or an investor, if convinced that the owner holds a sufficiently clear title, is ready to lease such land without an option to purchase and thus a piece of encumbered land owned by persons unwilling or unable to improve it, is built upon and ceases to block the pathway of business progress.

Long term leases are sometimes taken by wealthy individuals for the purpose of reducing their income and excess profits taxes. Selecting a piece of land in a rapidly growing neighborhood, where increased increment is certain, the lessee is willing to suffer a financial loss in carrying the land, as such loss is deductable, in part, from income on which he pays government taxes. Altho the rental he pays for the land is an immediate loss, the prospective increase in the value of the land often far more than offsets it. The taking of a long term lease for such a purpose, however, is not advised.

Taken all in all, the advantages to the lessee as against those enjoyed by the lessor are about equal and therein lies the safety, the justice, and the usefulness of the long term land lease.

CHAPTER VI.

SECURITY TO LESSOR AND LESSEE.

When an owner of a title to land in fee simple is asked to part with the use of his property for a stated rental and continuing for a total of ninety-nine years, and renewable, perhaps forever, he naturally inquires first of all as to the security to be offered by the lessee for the faithful performance of his contract.

The terms of a typical ninety-nine year lease usually provide that the lessee shall improve the land within a stated period with a substantial building. Many realtors who have studied the matter aver that the value of the building to be so provided by the lessee should be worth at least five times the annual rental. As a matter of fact, it is usually considerably more. For instance, a tract of land worth $100,000 leases for $6,000 per year. The lessee agrees to erect a $30,000 building, which is five times the annual rental. As a matter of fact, he usually erects a building that is worth at least the value of the land, or more, for in many instances the location of the land justifies such an investment and the lessee is eager to reap as large a return from his investment as possible. With the building completed, the lessor has ample security, for the lessee seldom permits himself to default with so much at stake which must be sacrificed if he fails to perform the vital covenant of his lease, namely the payment of the rental agreed upon. It is unwise, however, to force the lessee to agree to erect too expensive a building, as conditions may be bad at the time he is required to do so.

It may thus be seen that there is only one period in which the lessor is greatly concerned as to security and that is during the interim between the execution of the lease and the actual completion of the building. This is cared for in most long term leases by the lessee being required to furnish a bond, guaranteeing that he will perform his building contract. This bond usually represents an amount equal to two years' rent and taxes, operating on the theory that in the event of default the lessor will have two years to regain possession of his land and either improve it, sell it or release it to responsible parties.

The bond furnished by the lessee may be either a surety bond or one of negotiable securities satisfactory to the lessor. These securities are deposited with a bank or other financial institution and held at the command of the lessor, who can claim damages against them in the event the lessee fails in his rentals, or to erect a building. When such securities are desposited, the lessee invariably draws interest or clips coupons from the securities so deposited. In the event the bond is in cash, a suitable rate of interest is due the lessee, the same to be agreed upon before the deposit is made. Cash bonds are quite rare, however, and seldom as satisfactory as securities such as liberty or standard bonds.

Sometimes a lessee prefers to furnish a surety company bond, but in such instance the surety company will require the lessee to deposit collateral, as unsecured surety bonds on long term leases are not favored by surety companies. Bonding companies for the most part, therefor, insist on having securities deposited with them. This being the case, it is just as advantageous for a lessee to deposit his securities direct with a lessor and thus insure his own bond and save a premium. When a surety bond is made, the companies charge at the rate of $1 per $100, so that a $25,000 bond costs $250 per annum. Securities deposited with a surety company always return interest to the depositor.

The bond which the lessee gives the lessor for the erection of a building stands until the building is completed, free and clear of liens, most leases providing that the money or securities which have been deposited shall be released to make final payments on the building.

A satisfactory clause covering the bond follows:

> "A bond in the sum of $———— with surety satisfactory to the lessor shall be executed by the lessee to the lessor contemporaneously with this lease, providing for the erection of the aforesaid building together with the payment of rent, taxes, assessments and any and all obligations hereunder until the erection and completion of said building whereupon said bond shall be cancelled and released. Said bond shall further provide that in case of failure of lessee to erect said building hereunder specified the amount of said bond shall be held to be payable to lessor as liquidated damages for such failure to erect said building as hereinbefore provided for."

The foregoing clause would apply to a parcel of vacant land, which has been placed under lease. It frequently happens that land which has been leased contains more or less valuable improvements, such as an old commercial or mercantile building or a large residence. It is sometimes the practice of the lessee to rent these buildings for a time, later demolishing them and erecting a new structure. In this event, it is usually the practice to provide a reasonable bond at the outset, requiring the lessee to erect a new building, and then when the lessee starts tearing down the old building, the bond is increased until the new building is finished, whereafter all bonds are cancelled. This gives the lessor the added security of knowing that the lessee cannot destroy improvements already existing on the property unless he is prepared to complete the building for which a bond has been given.

With buildings in existence, or new ones to be completed, the lessor is naturally interested in knowing that they are properly insured. A well written long term lease will provide that the lessee must provide insurance to the extent of 80% of the sound value of the buildings existing on the leased land as all interests may appear. Of course, the lessee always pays all insurance charges as it is a fixed principle that the lessor is to have the full amount of the rent agreed upon net to him, income and inheritance taxes only being excepted.

In the event of fire, the insurance money is always applied towards the construction of new improvements, if the structure destroyed was not the one the lessee has agreed to provide or towards the reconstruction of the building, if the lessee has met his obligation and fulfilled his building agreement. He may also reconstruct old buildings. In some leases the lessee, in case of a fire, may apply the money received towards the purchase price of the land, if he desires to exercise a purchase option. It is usually provided that insurance policies must be held by a trustee, who will apply the funds available in conformity with the terms of the lease. If the lessee fails to take steps to renew the buildings or erect new ones within an agreed time, then this trustee hands over the insurance money to the lessor, who makes his own improvements, at the same time exercising his right to cancel the lease.

Another clause of the lease specifically provides that all taxes must be paid by the lessee and his failure to pay such taxes makes him liable to forfeit the lease. A clause governing taxes follows:

> "The lessee further covenants and agrees to bear, pay and discharge all taxes, assessments, rates, charges for revenue, imposts and all levies, general and special, ordinary and extraordinary, of any name, nature and kind whatsoever, which may be fixed, charged, levied, assessed or otherwise imposed upon said premises, or upon any or all buildings or improvements thereon, but said lessee shall not be required to pay any income, inheritance or succession taxes, which at any time during the life of this lease are required to be paid upon any gift, devise, deed,

> mortgage, descent or other alienation of any part, or all of said premises and property. Taxes for the current year shall be pro-rated as of date of signing lease."

Security is naturally a paramount feature in a ninety-nine year lease. The personal element cannot enter into the matter for leases are frequently assigned and while this does not always release the original lessee, nevertheless the property sometimes drifts into undesirable hands. Everything must be written with exactitude, for fifty or seventy-five years hence everyone originally concerned in the transaction may be dead and there may be nothing to rely upon but the written instrument or lease.

The bond required for the erection of a building must be large enough to fully protect the lessor, but it must not be so burdensome that it will prove an unreasonable load for the lessee to carry. It must always be remembered that the lessor is not being separated from his property, but only the use of it and that the lessee is in a more precarious position than the lessor, for if the lessee violates any or several of the covenants of his lease, the lessor immediately can take steps to oust him from possession, and regain the use of his land, taking over any added increment which may have come during the existence of the lease.

CHAPTER VII.

TYPES OF LONG TERM LEASES.

There are three general types of long term leases:

1. The "flat," "straight," or "ungraded" lease, where the rental is a fixed sum each year for the entire term.

2. The so-called "reappraisal" or "revaluation" lease, where the property is reappraised or valued periodically, the lessee being required to pay rental varying with the value of the land.

3. The "graded" lease, where several advances in rental are put into effect, the rental then becoming a fixed sum each year for the remainder of the term and often renewable forever.

In the first edition of this volume, published in 1921, the author favored graded leases as being fair to both lessor and lessee. Investigations carried on since the first publication of the book, correspondence with scores of the ablest brokers in the country, and conferences at state and national conventions indicate that the preponderance of opinion favors the making of flat or ungraded leases, based on the fair market value of the land at the time the lease is executed.

In practically all long term leases there is a substantial bond provided for the erection of a building so the owner is amply secured. There seems no reason why an owner should continue to participate over a term of years, in any additional increment which comes to the land. This practice developed largely during the speculative period which followed closely upon the end of the World War and has been frought with dangerous consequences.

The lessor has no right to participate, in the opinion of the ablest realtors in this country, any more than he would have the right to receive more than the fair market value of a property in the event it is sold outright, giving a deed and taking back a mortgage. Such leases have decided advantages over mortgages to the owner or investor. They provide long term investments, proper protection by way of security and in most of the states of the Union are not taxable as personal property as would be a mortgage. Therefore there is no concession on the part of an owner who prefers to lease rather than to sell outright.

The graded plan of rental is based, of course, on the assumption that property is sure to increase in value. Such prospective increase, especially if reasonably sure to come, is given by every growing community due weight in the fixing of the cash market value. To unreasonably delay the lessee's opportunity to enjoy increment on a lease is considered unfair and probably is more of an obstacle in the making of long term leases than any other element.

It seems entirely reasonable that a lessor should accept the present market value so that absolute stability and conservative value may be given to such investments, both from the standpoint of a purchaser of a fee and from the viewpoint of a lessee of the same.

A "flat" lease simply provides a stated rental for the first year and a continuation of the same payment thereafter. The lessor has little opportunity to enjoy any enhancement in values and this sometimes compels him to demand an initial rental on a higher valuation than the property warrants at the outset, and this interferes with concluding a satisfactory deal. On properties of small value, in which enhancement is not probable, a flat lease is usually recommended.

Reappraisal leases have been used in some cities thruout the United States, but the experience of most realtors is that they are decidedly unsatisfactory and the making of reappraisal leases is by no means advised in the light of general experience. A reappraisal lease may be used where there is considerable doubt as to future maintenance of values and where it is desirable that a lease shall be made rather than land shall be purchased outright.

The commonest form of reappraisal lease provides that at the end of stated periods, usually ten years, the land on which rental is being paid is to be reappraised by a board of arbitrators, one to be appointed by the lessor, one by the lessee and these two to select a third. When the two cannot agree upon a third, it is sometimes provided that a certain other person, such as the presiding probate judge, is to select the third.

This board of arbitrators meets, considers values, arrives at a conclusion as to the then value of the land involved and the new rental is fixed at four, five or six per cent upon the new valuation, according to the terms of the lease. From 1890 to 1910 many of these reappraisal leases were made on a four per cent capitalization. About 1910, the rate rose to five per cent and a few of this character have been made where the rate has been greater than five per cent, altho in graded leases the most recent practice in many cities has been to rate them at six per cent, even on valuations in succeeding periods. The rate in any event should not exceed six per cent.

Some of the most involved problems which real estate men have had to solve in some of the larger cities of the country have come in connection with the reappraisals of these leases. Appraisors have met steadily for weeks, heard scores of witnesses, and mulled over a great mass of testimony, before being able to decide upon a suitable valuation. As in most cases where boards of arbitration are appointed in this way, the real decision is made by one person, the last to be appointed. If he is fair minded and competent, the decision is frequently satisfactory, but if not, endless contention arises and a most unsatisfactory condition of affairs ensues. For this reason, if no other, reappraisal leases are not recommended by well informed realtors.

A reappraisal lease has often been found to be unsatisfactory to both lessor and lessee because the latter will often hesitate to put expensive improvements on a piece of land as a valuation might later be placed on the land which would almost confiscate the lessee's interest in the transaction and make it almost impossible for him to operate the property. Financial institutions hesitate to advance money on reappraisal leases because there is the lack of a fixed standard on which to calculate income and for this reason it is difficult sometimes to finance improvements on other than a flat or definitely graded lease. The interest of the lessor is effected by the fact that if the rentals increase to an exorbitant sum, the lessee is tempted to void his lease at a later date when the value of the improvements has deteriorated and the rental for the land is out of proportion to the earning power of the entire property.

Some reappraisal leases contain a clause that the rental cannot exceed a certain sum, no matter how valuable the land may become.

A rather unusual form of long time lease has been executed in a few instances in this country, which has become known as the "amortized" lease. Under the terms of such a lease an owner is paid a stated sum in the way of annual rental for a period of years, at the expiration of which time the property passes in fee simple to the lessee. These leases are sometimes made for periods of forty or fifty years, or may be for twenty-five years, or less if desired. It requires some careful calculations to determine the worth of money and the general principle adopted is that the total rental equals the value of the property with interest paid at six per cent over the full term of the lease.

Indiscriminate making of long term leases is far from advisable. For the most part long term leases should be made on property on main traveled business thorofares, where there is every promise of a steady increase in values for the full term of the lease. Business districts frequently shift and in such instances the lessee may be inclined at a later period in the lease to simply forfeit his lease and the lessor might then find his property back on his hands. It is true that the lessor may not suffer much loss for he has had a good rental in the meantime and also acquires the improvements by default, so he stands a better chance to break even on the transaction than the lessee, who invariably takes chances in any event.

It may be seen, therefore, that in the making of a long term lease the interests of both parties must be carefully safeguarded. The lessor must be content with a reasonable rental commensurate with the value of the land and the lessee must provide a suitable bond and later improve the premises with a building, the value of which is proportionate to the value of the land. When such a lease is executed in good faith, there is every reason to believe that both parties concerned will be definitely benefited.

Again it is emphasized that only a lease that is absolutely fair to both lessor and lessee is a good lease. None other should be negotiated by a fair minded honest broker.

CHAPTER VIII.

LOANING ON LEASEHOLDS.

A long term leasehold, properly executed, covering well located land, rented on a reasonable valuation and to responsible parties, is now considered favorably for loaning purposes.

Some banking institutions adhere to the age old practice of loaning only on property which is owned in fee simple by a borrower, considering a lease as not representing sufficient equity in land to make it worthy of consideration. Keen bankers in the larger cities where leasing is practiced generally, have come to a realization, however, that when certain conditions are carefully observed, a lease is of sufficient security to loan money on for the erection of a building. As a matter of fact, the loan is made on the building only, comparatively little attention being paid to the lessee's equity in the leasehold itself, unless the lessee may have a very valuable equity in his lease.

Take a typical leasing operation and analyze it carefully: The land, it may be assumed, has a valuation of $100,000, on which an annual rental of $6,000 is being paid. The lessee is bonded to erect a building and decides that a structure costing $100,000 is advisable to make the best earnings possible for the property. The lessee makes application to his banker for the loan. The first thing the well informed banker does is to have an appraisal made of the land to determine that the rental being paid is justified and fair to the lessee. An analysis as to location, anticipated growth in value and other conditions is secured and the banker, satisfied that the lease is a fair one to the lessee, who wishes to borrow, agrees to loan $50,000, or fifty per cent of the value of the building. The lessee must advance the other $50,000 in cash to complete the structure. The banker will usually require that the lessee's money be on deposit before the loan is made, the proceeds of the loan to be applied last on payments for the improvement.

Many building clauses are not fulfilled until a period just before the time expires for them to be executed. This is usually within five or sometimes ten years of the time the original lease was made. If the property has advanced in value and the land is held under a "straight" or "flat" lease, the lessee doubtless has added equity due to the land's enhancement in value. If it is a graded lease the added value may be partially absorbed by the going into effect of a higher rental for the second five or ten year period.

Some security houses which issue building bonds on leaseholds will loan as high as sixty percent of the value of the building, if it is to be placed on well located land concerning which there is little doubt as to steady increase in value and where the initial earnings promise to be exceptionally good.

In making a loan on a leasehold the institution advancing the money usually insists that a mortgage or trust instrument be drawn, providing against all conceivable contingencies. It may require that the main long term lease and all shorter sub-leases be assigned by means of the trust deed to a trustee who will act thruout the life of the loan. Some bankers prefer that all sub-leases, particularly the important ones, extend for the full term of the loan, thus insuring additional security.

Another provision, which a cautious banker will sometimes insist upon is that each month there shall be deposited with the trustee an amount equal to the rental due, in addition to covering all taxes, insurance and sinking fund requirements. The trustee is required to assume the duty of meeting these obligations regularly out of the sums advanced monthly, thus carefully supervising the entire transaction to see that none of the provisions of the original lease are violated or transgressed. The trustee thus knows that default is impossible and that the loan is amply secured.

The banker will doubtless insist that the loan shall be reduced serially so that each year the amount remaining to be paid shall be steadily lessened, thus guarding against unexpected depreciation. He will also require in his trust instrument that the trustee shall have the right to take over and operate the property in the event the lessee in any way defaults, thus acting as a receiver on behalf of the bank to conserve its security.

The bank will, of course, insist that insurance to the amount of at least eighty percent of the value of the improvements be carried and during the term of the loan the insurance policies are assigned to the institution which provides the loan as its interest may appear. Insurance companies must be acceptable to the lender and it will be so stipulated in the trust instrument. Rent insurance is also sometimes required, to protect a bank in case of loss of rentals, due to a fire.

Another clause, which is insisted upon by some banks is one requiring the owner or lessor to give notice of default to all mortgage lien holders of record before declaring a forfeiture. This imposes no particular hardship and adds to the merchantable value of the lease, if subject to sale or pledge.

Years ago when long term building leases were comparatively little known, banks were sometimes loath to loan on leaseholds as mistakes had been made and some money had been lost. This led finally to the working out of a carefully prepared leasehold mortgage form, which insures every legal protection to the lender and establishes definite rules of procedure for the carrying out of the details of the transaction. A loan surrounded with protections thus afforded is now considered a good risk. Considerable missionary work can still be done in this direction, however.

A leasehold mortgage form may be found in the addenda to this book.

Loaning on long term leases means additional work for the bank, as compared to an ordinary loan, for it must be constantly on guard, thru its trustee, to see that the lessee fulfills his obligations. In large transactions, however, this is thought worth while by bankers and in the larger cities where leaseholds are better understood, there is now a large volume of loaning on leaseholds.

Investment banking houses in the larger cities, which make a business of selling bonds, have become quite skillful in operations of this kind and banks very frequently co-operate with such institutions in floating bond issues on leaseholds, which are subsequently passed along in the form of mortgage gold bonds to investors. A bonus of 10%, on an average, is usually allowed for financing, according to the conditions of the money market. As these mortgage bonds often pay seven or even eight percent interest and are amply secured by the buildings erected and the rental returns of the structures themselves, there has thus sprung into existence in the past decade another profitable field for conservative investment.

Investment houses usually confine their activites to large operations in the main business districts and prefer loaning on buildings to be used by long established businesses or for office and store purposes, theaters, garages and hotels, when there is definite need for them. Structures erected for business purposes must be capable of being remodeled in the event the lessee defaults. It stands to reason that the lessee must be thoroughly responsible and not be permitted to assign his interests to other than perfectly responsible persons or corporations.

Leases on which loans are made must be free from burdensome restrictions, must not be freakish in any degree, and must contain ample provisions for saving remedies to the lessee and his assigns in case of forfeiture.

Great care is exercised by some banks before they will agree to loan on a leasehold. Copies of plans and specifications must be filed and carefully scrutinized by experts acting on behalf of the bank to ascertain if the improvement contemplated is justified, if it is well placed and capable of earning sufficient returns to make it a safe and profitable investment. Unless a building will bring a satisfactory return from the outset, a bank will not consider itself justified in loaning upon it. The result of such methods of procedure is that the proper building is usually placed on the right property and the transaction is a successful one.

Modern operations in loaning on leaseholds, as indicated in the foregoing are usually evidenced by bonds, issues of which must be retired regularly. This requires a sinking fund for the steady and consistent retirement of the debt. As far as the banker is concerned, he is often better protected by such an arrangement than where he makes a straight loan for five, ten or fifteen years on an office building or theater and makes no provision for the regular amortization of the loan.

In agreeing to issue bonds for the erection of a hotel, theater or office building on leased ground, the banker or investment manager usually insists that experts in hotel, office building or theater construction and management be retained from the outset to see that the institution when completed will be worthy of all of the money, time and effort bestowed upon it and that, furthermore, it will be a financial success.

Investment bankers in cities where long term leases are in common use, now invite real estate brokers to submit plans for financing leasehold operations through bond issues. The broker should be careful in making an application to accompany it with full data, plans of the building contemplated, facts relative to the personnel of the parties behind the project, the earning power of the proposed development and every possible fact in connection with the transaction it is possible to submit. Thoroughness in presentation and a program that justifies loaning will usually result in an application for such a bond issue being granted.

The large cities of the United States are constantly seeing a widening of operations in the erection of large, important structures on leased land thru leasehold bonds, and it behooves bankers and others who loan funds to familiarize themselves with the operations which are so successfully conducted along these lines.

CHAPTER IX

ESSENTIAL FEATURES OF A LEASE.

In the execution of every lease there must be an owner, otherwise known as landlord or lessor, capable of granting land, a lessee or recipient, capable of accepting the grant, and property capable of being granted.

Component parts of a well drafted lease are the parties thereto; the recital which indicates the location of the land and the lessor's title to the same; the demise or actual granting of the leasing rights; the habendum, which defines the commencement and the term of the lease; the reddendum or reservation of land; the covenants or various conditions as to occupancy; the restrictions on the use of the premises, and the signatures, witnesses and acknowledgements.

Ancient English common law held it to be axiomatic that "whatever may be parted with forever, may be granted or parted with for a time, and therefore not only lands and houses may be let or leased, but also goods and chattels." It was, therefore, common practice among early English owners to not only lease land and tenements or buildings, but also vessels, mines, herds of cattle and businesses as well.

Leases may be made, generally speaking, by any person capable of making a contract. A lease by or to an infant is voidable at his option. A guardian is necessary in such cases to bind an infant. The making of a lease by a married woman is governed by the statute in each state controlling her rights to make contracts. In most states equal rights are granted with the husband. In dealing with an insane person, the transaction must be thru a guardian. Leases by or to corporations may be made by their officers pursuant to resolutions passed by boards of directors.

A tenant for life cannot make a lease to extend beyond the term of his own life and such a lease would automatically terminate with the lessor's demise.

A sub-lessee cannot make a lease beyond the term of the original lease. In sub-leases the term should never be for the full term of the original lease, at least one day always being reserved between the ending of the term of the original lease and the sub-lease. In mortgaging a leasehold estate, a similar practice should be followed to prevent the mortgage operating as an assignment.

An administrator cannot lease, as he has nothing to do with real estate, except in the event of sale to pay debts of the estate. If an executor or testamentary trustee is given power to lease real estate, he may, under the conditions named in the will, execute a lease, but great care should be observed in accepting a lease from an executor or trustee, to ascertain his authority to lease, as set forth in the will under which he is acting.

Laws governing the leasing of property, being under state jurisdiction, as distinguished from federal control, are at variance in different parts of the United States, and it behooves a realtor who engages in the making of land leases to familiarize himself with the local laws pertaining thereto. It is manifestly impossible, therefore, to consider at any great length the technical legal details concerning the making of a lease, most of which should be referred to a competent attorney. State laws regarding contracts and real estate are not entirely in accord and what may appear to be a perfectly valid lease in one state, may be invalid if an attempt is made to use the same form in another state. As efforts are being made to standardize state laws governing marriage and divorce, it would seem desirable that attention should be given to the standardizing of state laws governing the leasing of real property.

In many states leases for periods of over three years must be in writing or printed form and must be signed by both lessor and lessee, or their properly accredited agents, who must have written authority to act for them. Both the lease and the power of attorney should be recorded in the county office intended for that purpose. In most states a long term lease should be executed with the same formalities as to signatures and acknowledgements as are required for a deed.

Leases should, for convenience, be made in triplicate, one copy for the lessor, one for the lessee and a third to be turned over to the proper county recording office. The copy tendered to the lessee or tenant is called the original, while the one held by the lessor or owner is known as the counterpart. Either party may have the lease recorded. A lease should be dated on the day it is intended to take effect. The beginning of the term itself may be an entirely different date. The dates of the beginning and ending of the term should, however, be specifically set forth.

The lessor's name should be written in the lease in precisely the same way that it appears in the records of the title to the property. Great care should be taken to see that all names are in full and correct in every detail.

A requisite of a lease is that a certain and definite rental must be agreed upon as a consideration for the use of the lands or buildings granted. Such rent is usually paid "in gold coin of the United States of present standard of weight and fineness, or its equivalent in value."

It is most important to describe carefully the premises to be leased and this is done by using the exact legal description provided in previous transfers of the property. Where both land and buildings are leased, a description of the buildings in general terms is often desirable, but a lease of the land will carry the right of possession of the buildings located on it, unless expressly excepted. When buildings are leased with only the right of ingress and egress, the buildings should be specifically described.

Leases in most American cities provide that rental be paid quarterly in advance, altho some leases require the payment of rental monthly or semi-annually in advance. It is frequently stipulated that the rental of the first year of a lease be paid in advance, so the broker's commission may be paid promptly when due, at the time the lease is signed.

It is somewhat difficult to create an exact standard form of lease, due to the fact that conditions involved in each transaction differ substantially, but a more or less standard form of ninety-nine year lease has been evolved by a number of brokers in Cleveland, copy of which may be found in the addenda of this book. This was evolved after considerable study and was the result of a peculiar situation which developed in connection with a law suit in which a preliminary agreement was made between two parties to enter into a lease. After enumerating the numerous general conditions, the preliminary agreement stipulated that the other covenants of the lease should be the "usual" ones found in such contracts. Difficulty arose between the contracting parties and one of them in attempting to escape entering the lease, contended that there were no "usual" covenants.

The attorney for this party carefully briefed some sixty long term leases made in the city of Cleveland and demonstrated to the court that there were no two alike in general form, winning his contention in the lower courts and releasing his client from the necessity of entering into what was to him an undesirable contract.

Following this case, a number of attorneys and real estate operators carefully investigated the situation and compiled what they believe to be a typical lease form, embodying the best conditions and language for expressing such conditions, so that in writing an agreement to enter into a long term lease certain conditions should be covered by using the language employed in clauses of the long term standardized form.

In principle, long term leases, such as are now used in most American cities, are comparatively simple in purpose and are remarkably alike in import. They have, however, been burdened with legal verbiage and technicalities. In drawing a long term lease, it is advisable to use as short and concise statements as will properly describe the purpose sought. Determine the subjects which are to be covered in the document and then set forth in brief but definite language the covenants which are to control the actions of both lessee and lessor. While it is not advisable to have cumbersome or unduly lengthy leases, neither is it wise to attempt to save paper or space, as the covenants agreed upon will endure long after the original lessor and lessee have passed away.

CHAPTER X.

CONTENTS OF A LEASE.

CONTRACTING PARTIES—CONSIDERATION—DEMISE—THE HABENDUM—THE REDDENDUM—RENTAL TO BE PAID IN GOLD OR ITS EQUIVALENT—RENTALS A LIEN ON PREMISES AND LEASEHOLD.

There is no set wording for a long term lease, tho custom has provided some general forms. Clauses may be freely transposed, as every lease is a contract unto itself. As a usual thing, however, the provisions of a lease for ninety-nine years are assembled in a more or less definite form.

The following is a customary form for the beginning of a long term lease, indicating the contracting parties thereto:

> "This indenture of lease made this ....day of ....A. D., 192. ., by and between.......................... ..of the City of ...., State of ...., party of the first part, hereinafter called LESSOR and .... of the same place, party of the second part, hereinafter called LESSEE, Witnesseth:"

Great care should be taken to insert accurately the full proper names of individuals or corporations who are parties to the lease. In signing the lease the exact form of name used in the opening paragraph should be used.

The second clause should deal with the matter of consideration, altho the definite rental should be covered in a subsequent paragraph. A simple form follows for clause two:

> "That each of the aforesaid parties acknowledge the receipt of a valuable consideration from the other and that they and each of them act herein in further consideration of the engagements of the others as herein stated."

Another combined form covering the same purposes follows:

> "This indenture of lease entered into this .... day of ...., 192. ., by and between........ .... of the City of ...., State of...............the LESSOR (which expression whenever used shall include the heirs, personal representatives and assigns of the LESSOR when the context so admits),

SAN FRANCISCO MERCANTILE BUILDING ERECTED ON LAND LEASED FOR FIFTY YEARS

On Market Street, San Francisco. The Pacific Building, one of the city's largest retail structures, was built on land leased in 1907. At that time leases could only be made in California for fifty years. They may now extend for 99 years, but cannot be made renewable. The building has three street frontages on a lot 195 by 145 ft. in size. It cost over $1,000,000 to build in 1907.

> and........................of the same place, the lessee, (which expression whenever used herein shall include the heirs, personal representatives and assigns of the LESSEE when the text so admits) is to evidence that the said parties have agreed and do mutually agree, grant and covenant each with and to the other as follows:"

Then follows the clause dealing with the obligations of the lessor, comprising what is known as the habendum, defining the commencement and term of the lease:

> "That upon the terms and conditions hereinafter stated the LESSOR has leased and does hereby let and lease to the said LESSEE for the full term of ninety-nine (99) years, commencing upon the first day of..........., 192.., and ending upon the .... day of ...., 20...., the following described premises, to wit:"

Then comes a carefully worded legal description of the property being placed under lease.

A clause may properly set forth the obligation of the lessor, preliminary to describing the premises, embracing the demise and may read:

> "That LESSOR has and does hereby grant, demise and lease unto the said LESSEE the following described premises:"

Then may be included the description of the property being leased.

Care should be taken to express accurately the term of the lease, which may be done in the following form:

> "To have and to hold the above described premises unto the lessee for the term of ninety-nine (99) years commencing on the .... day of ...., 192.., and ending upon the .... day of ...., 20...."

Rental and the periods for which it be paid should be clearly set forth in the reddendum, the following serving well for this purpose:

> "LESSEE hereby covenants and agrees to pay to LESSOR as rent for the aforesaid premises the following amounts of money, payable as follows:
> For the first ....years, $.............per year.
> For the second ....years, $.............per year.
> For the remainder of the term, $.............per year."

If for a smaller or larger number of terms, rentals may be made to conform.

A clause dealing with the matter of payment of rental and the assessing of interest in the event rental is not paid to lessor promptly, may read as follows:

> "Each year's rental shall be payable in quarterly installments in advance on the first days of January, April, July and October. Any installment of rent not paid when due shall bear interest at the rate of eight percent, payable quarterly."

Rental is usually payable quarterly in advance, tho it may be monthly, if desired. If the lessor so indicates, it may be paid to a trustee or trust company to be turned over in due time or credited to the bank account of the lessor as the latter elects.

Most leases specify that rental shall be paid in "gold or its equivalent in value" and this clause is designed to cover the duty of the lessee in this respect. It may read as follows:

> "All rent reserved and agreed to be paid under this lease shall be paid in standard gold coin of the United States of America of the present standard of weight and fineness or its equivalent in value."

Some speculation has arisen as to what might happen in the event that this country ever departed from a gold monetary standard. Probably the saving clause "or its equivalent in value" would prevent embarrassment.

Rental obligations due the lessor are considered a lien upon the land and improvements leased. The following clause will cover this feature:

> "All money and other sums which shall become due to the LESSOR hereunder by reason of any provision of this lease is and shall always be a valid and first lien upon the buildings and improvements on said property and upon all of the interests of the LESSEE in this lease and paramount to any mortgage which LESSEE may execute thereon, or any lien caused by LESSEE."

Another form used to express the same idea as used in another lease follows:

> "It is agreed that the whole amount of the rent agreed to be paid hereunder and all moneys due hereunder by reason of any acknowledgement of this lease are and always shall be a valid and first lien upon the land and improvements upon said premises and upon all of the interests of the LESSEE in said premises and in this lease."

The purpose of this clause is to fix definitely the responsibility of the lessee in the payment of his financial obligations and to indicate clearly that all sums due the lessor become a lien when the same are not paid promptly by the lessee.

CHAPTER XI.

PAYMENT OF TAXES, ASSESSMENTS, BUILDING CLAUSE AND THE FURNISHING OF BONDS.

In making a lease the lessor naturally expects to receive as net rental the entire sum agreed upon for his property and to hold the lessee for the payment of all charges including taxes and assessments which may be levied against the property involved, except income, succession and inheritance taxes.

There are a number of ways to express this intention and various items to include. The following is the manner in which it is expressed in one lease:

> "In addition to the rental hereinbefore provided to be paid LESSEE further covenants and agrees to bear, pay and discharge all taxes, assessments, rates, charges for revenue, imposts, and all levies general and special, ordinary and extraordinary, of any name, nature and kind whatsoever, which may be fixed, charged, levied, assessed, or otherwise imposed upon said premises or upon any or all buildings or improvements thereon, but said LESSEE shall not be required to pay any income, inheritance or succession taxes which may at any time during the term of this lease be required to be paid upon any gift, devise, deed, mortgage, descent, or other alienation of any part of or all of said leased premises and property. Taxes, assessments, and any other charges shall be pro-rated as of the date of execution of this lease.

Some question has arisen as to the propriety of including the payment by the lessee of income taxes due the government from the lessor. It is contended that it is the purpose of the government to assess income taxes against the person actually receiving the income and that the lessor has no right in law or equity to shift the burden to the lessee. This is a matter which should be agreed upon definitely in the event the lessor suggests that income taxes be paid by the lessee.

Some few leases have been drafted in the larger cities which specifically include income taxes, the lessee assuming an obligation to pay the regular rental and then in addition a sum equal to the income tax due on the rental received by the lessor for the property. This is a technical detail which must be adjusted satisfactorily between lessor and lessee. It is quite unusual, however, and does not seem just or fair to make the lessee pay taxes on the income received for the property, for the rental charged is usually figured to care for such a contingency.

Another form for providing for the payment of taxes may be found in the following:

> "As a part of the consideration of this lease and in addition to the rentals hereinbefore provided, the LESSEE hereby covenants and agrees to indemnify and save harmless the LESSOR, his successors and assigns, from any and all taxes, assessments or levies on or against this lease (except, however, any income, inheritance or succession tax that may be levied against the lessor by reason of this lease) the LESSEE'S estate hereunder and the premises hereby leased and all improvements thereon for the full term of this lease and of any and all extensions thereof, and free from all charges, liens, penalties and claims for damages chargeable to or payable for, or in respect of said leased premises and all improvements thereon and to pay punctually with the rents herein provided for all such taxes, assessments, levies and other charges as aforesaid and upon application of the LESSOR, his successors or assigns in writing to furnish written evidence, duly certified that any and all such charges, claims, etc., are duly paid and satisfied."

A short form follows:

> "As a part of the consideration of this lease and in addition to the rentals hereinbefore provided, the LESSEE covenants and agrees to pay promptly as the same becomes due and indemnify and save harmless the LESSOR from all taxes, assessments and charges levied or assessed upon the premises described thereon and also all charges, liens, penalties and damages chargeable or payable for or in respect of said ground, during the term thereof beginning with the taxes and assessments levied and assessed for the year ...."

It is usually provided in connection with the payment of taxes that the lessee must furnish suitable evidence that he has met his obligations in this respect and this requires a special clause when the same is not incorporated in connection with the clause covering taxes.

Here is a short concise clause to cover this feature:

> "LESSEE shall exhibit or deliver to LESSOR as often as requested so to do, the receipts showing the payment

> of the aforesaid taxes, assessments, rates, charges, imposts and levies, or on the income thereof or therefrom."

Most long term leases are made on property which is either vacant or has an old building on the land, which should be replaced by a new one having adequate earning power. If a lessor has a parcel of land with a good building upon it which brings in adequate revenue, there is little incentive to lease it, altho apartment houses in some of the larger cities have been leased. It is, therefore, necessary in almost every long term lease to incorporate a provision calling for the erection of a building.

As a matter of standardization, it is suggested that the cost of the building to be erected shall be approximately five times the amount of the annual rental. For instance, a tract of ground worth $100,000 leases for $6,000 per year. Under such an arrangement the lease would call for the erection of a $30,000 building within a given time. This seems entirely reasonable.

The time allowed the lessee in which to place the improvement on the ground varies in almost every instance and adjusts itself in accordance with the conditions. Usually the lessee is given five years in which to build and quite frequently he is permitted to go ten years before performing this feature of the lease.

Here is a satisfactory form for providing for the building:

> "Within five years from date LESSEE shall construct and fully complete on said premises a commercial building suitable to the neighborhood in which it is situated of a cost value of not less than $............ Said building shall be constructed of good material, erected in a good workmanlike manner and be ready for occupancy on or before one year from date of the beginning of construction work, free and clear of all liens of contractors, sub-contractors, mechanics, laborers, material men and other items of like character."

It is customary that the lessee provide a bond in suitable amount, binding himself to carry out his agreement to build within the time specified in the lease. The amount of the bond varies in individual cases, but is seldom less than an amount equal to two years' rental being paid for the premises.

A suitable clause covering the execution of a bond is as follows:

> "A bond in the sum of $................. with surety satisfactory to LESSOR shall be executed by LESSEE to LESSOR contemporaneously with this lease, conditioned for the erection of the aforesaid building together with the payment of rent, taxes, assessments and any and all obli-

> gations hereunder until the erection and completion of said building, whereupon said bond shall be cancelled and released."

A surety bond furnished by a regular company engaged in providing such bonds is always acceptable, but costs about one per cent of its total amount. It being the purpose of the lessor simply to protect himself against loss the practice is quite general for the lessor to permit the lessee to deposit his securities, which must be of a satisfactory character to the lessor, with a bank or other financial institution, where they are held in trust at the convenience of the lessor in the event the latter finds it necessary to collect damages from the lessee for any default upon the latter's part.

In every lease the covenants are made binding not only upon the lessor and lessee, but also upon their succssors and assigns, thus binding for the full term of the lease both parties to the agreement. This thought has been woven into leases in a great variety of ways, but a typical one seems to incorporate it into a separate clause which will definitely cover it. The following seems sufficient:

> "It is hereby covenanted and agreed between the parties hereto that all covenants, conditions, agreements and undertakings in this lease contained shall extend to and be binding on the respective heirs, executors, administrators, successors and assigns of the respective parties hereto the same as if they were in every case named and expressed and the same shall be construed as covenants running with the land. Also that the terms "LESSOR" and "LESSEE" shall be construed in the singular or plural number according as they respectively represent one or more than one person."

CHAPTER XII.

INSURANCE, TRUSTEE, STRIKES, ASSIGNMENTS, PAYMENT OF TAXES BY LESSOR.

It is always a condition of a lease that the lessee protect the lessor by providing suitable insurance on old buildings which may occupy the land or new buildings which may subsequently be erected thereon. Most modern leases now provide that buildings must be insured for eighty per cent of their value, in responsible companies approved by the lessor.

It is an obligation of the lessee, moreover, that he keep in good repair either old or new buildings existing upon the premises for the improvement constitutes the lessor's security in the event he is ever compelled to take the premises back if the lessee in any way defaults in the lease. A suitably worded clause, referring to old buildings on the property may be found in the following:

> "There is a building now standing on said premises which LESSEE shall keep in as good repair as it now is up and until the time when it may be necessary to remove said building for the erection of the new or other buildings as herein provided for and which building shall be insured by LESSEE in the amount of 80% of its insurable value, with the loss, if any, payable to LESSOR. The proceeds of any insurance collected for said building shall be repaid to LESSEE to apply on the new or other building herein provided for, such application to be made on the last payment falling due for said new or other buildings.

The principal clause covering insurance may be provided in the following manner:

> "LESSEE hereby covenants that LESSEE will at all times during the term of this lease, have and keep said building or buildings so to be erected and constructed and completed, or any buildings erected hereafter upon said premises, in constant good condition and repair and insured against loss or damage by fire, in insurance companies of general recognized responsibility and credit, in an amount equal to not less than eighty percent of the fair insurable value thereof exclusive of foundation."

It is a general practice to have insurance policies deposited with a trust company as trustee, who is authorized by the lease

BOSTON'S FAMOUS "SABLE IRON" LEASE

A lease for 1,000 years controls this corner at Court Street and Cornhill, Boston. The lease stipulates payment of rent in a certain amount of Russian sable iron. Being unobtainable, the lessee tendered cash amounting to the last market price in Boston of sable iron. The lessor recently sued to dispossess the lessee, but the courts held that the consideration tendered was sufficient and the lessee remains in possession of the premises. (See Chapter 3 on "Unusual Long Term Leases.")

to make payments for reconstructing old buildings or erecting new ones, as estimates of a reputable architect would warrant.

This makes it necessary to have a definite provision to care for this condition, which may be covered in the following phraseology:

> "Said policies of insurance shall be deposited with .... or such other Trust Company as may be designated by the LESSOR, as trustee, and all sums arising by reason of loss under said insurance policies shall be available to the LESSEE for the reconstruction or repair, as the case may be, of any building or buildings injured or destroyed by fire and shall be by such trustee paid out from time to time on the estimates of any responsible architect, having supervision thereof, certifying that the amount of such estimate is being applied to the payment of the reasonable cost thereof, provided, however, that it first be made to appear to the satisfaction of the trustee that the amount of money necessary to provide for the reconstruction of any building or buildings destroyed or insured, according to the plan adopted therefor, which may be in excess of the amount received upon such insurance policies, has been provided by the LESSEE for such purpose and its application for such purpose assured."

The trustee should have authority to sign proofs of loss, so that if the lessor is in a distant part of the world, it will not be necessary to have the lessor's consent or signature, which might entail unreasonable loss of time.

Some insurance companies when loaning on a leasehold insist that fire insurance policies be deposited with them as the state charters under which they operate so require. There is no objection to the practice and both lessor and lessee usually agree to this requirement.

In the event there is a greater sum received than necessary to restore a damaged building, the excess goes to the lessee. If the lessee does not take steps promptly to restore the damaged structure the lessor has the right to either repair the buildings or cancel the lease. To provide for this contingency the following clause may be inserted:

> "Any excess of money received from insurance remaining with the trustee, after the restoration or reconstruction of such building or buildings, if there be no default on the part of the LESSEE in the performance of the covenants herein, shall be paid by the trustee to said

> LESSEE, and in case of the LESSEE not entering upon the reconstruction or repair of said building or buildings within a period of six months after such destruction or injury by fire or otherwise, and prosecuting the same thereafter—with such despatch as may be necessary to complete the same within eighteen months after the damage or loss occurring, then the amount so collected or the balance thereof remaining in the hands of the trustee, as the case may be, shall be retained by it as security for the continued performance and observance by the LESSEE of the covenants hereof, and no part thereof shall be paid to the LESSEE except after a complete restoration or reconstruction of the building or buildings during the continuance of this lease, and it will be at the option of the LESSOR in such case to terminate this lease upon failure upon the part of the LESSEE to promptly, within the time specified, complete such work of restoration or reconstruction."

Instructions to the trustee relative to the disposition of insurance funds are often included in a long term lease. The following is a clause suitable for expressing these directions:

> "Said trustee shall hold all policies of insurance as provided hereunder for the benefit of LESSOR, LESSEE and any person, corporation or Trust Company holding a mortgage on the interest of LESSEE created under this lease as their respective interests may appear. LESSEE shall pay all charges by reason of deposit of said insurance policies or in disbursement of funds received by said Trust Company on said policies."

Where insurance is issued on buildings in connection with the making of a ninety-nine year lease, such insurance is written in the name of the owner of the land, or lessor, with a rider attached, indicating that in the event of a fire loss the lessee is to share with the lessor, as their interests may appear, according to the terms of the lease. The lessor, under the terms of most leases, has the privilege of collecting from the insurance fund an amount equal to whatever the lessee may be in default, if any, in the matter of rent or other charges, the excess then being applied to reconstruction purposes.

Sometimes it is difficult, owing to varying causes, to prosecute building work or complete reconstruction work due to strikes and other causes and this has led to the inclusion of a clause covering such a contingency. Here is a suitably worded clause to meet such a situation:

> "Whenever under this instrument a time is stated

> within which or by which repairs, original construction or reconstruction of said buildings shall be made and during such period a general or sympathetic strike or lockout occurs, or some event beyond LESSEE'S power to control, causing delay, the period of such delay so caused shall be added to the period limited herein for the completion of such work."

It is a common practice for leases taken by an individual or corporation to be assigned or sub-let to new lessees, but the rights of the lessor must be carefully guarded when such assignment or sub-letting is made. The assigning of a lease does not always release the assignor from responsibilities which he previously entered into and this should be kept in mind in the making of assignments. Some leases prohibit assignments being made, but in most cases it is a general practice to permit the lessee to assign the lease provided the lessor is fully protected in the matter. It is inadvisable for a lessee to accept a lease in which permission to assign is not granted. He can, in any event, always sub-let unless specifically prohibited from doing so. A copy of a typical assignment will be found in the addenda.

A provision covering this situation may be stated in the following words:

> "LESSEE further covenants that LESSEE will not, except by way of mortgage of the leasehold estate to secure some actual indebtedness, assign or transfer this lease without the written consent of LESSOR, unless there be at the time no existing default on the part of LESSEE in observance of the conditions herein, nor unless the assignee of this lease shall expressly assume LESSEE'S engagements hereunder, nor unless LESSEE shall have first placed in the hands of the LESSOR for inspection a sufficiently executed instrument of assignment and assumption which instrument shall be recorded at or about the time of its execution, but after any assignment made in conformity with the above conditions there shall be no further liability under this lease against LESSEE herein named and thereafter all liability shall rest upon the assignee. Any assignment not in conformity with the above shall be void."

An obligation a lessee assumes when taking a lease is to save the lessor harmless from all charges which may ensue in requiring the lessee to carry out the provisions of the lease. By the same token, however, the lessee should be protected from having to pay unreasonable charges due to litigation which the lessor may instigate without just cause.

So that the lessor may be reimbursed for any expenses involved in the event he has to protect his property by court action, the following clause may be utilized:

> "LESSEE further agrees that LESSEE will pay and indemnify LESSOR against all legal costs and charges including counsel fees reasonably incurred in and about the defense of any suit in discharging the said premises or any part thereof from any liens, judgments or encumbrances, caused or suffered by LESSEE."

In the event the lessee does not pay taxes and other charges promptly there is usually inserted into a long term lease a provision empowering the lessor to meet such obligations and to collect the costs the same as rent.

The following language permits the lessor to take such action:

> "LESSEE further covenants that LESSOR shall have at all times during the term of this lease or any renewals thereof, the right to pay any taxes, assessments, water rates, liens or other charges upon said premises, and the improvements thereon, also to redeem said premises from any sale that may be made of the same for taxes or assessments; that the amount so paid including reasonable expenses shall be so much additional rent due at the next rent date, and be a lien on LESSEE'S interest in said premises, until such payment."

It is further contended that the lessor is under no obligation to enquire into the validity of claims for taxes and other charges before paying them unless the lessee wishes to post a bond equal in amount to the charges made.

This situation may be covered in the following way:

> "It is further provided that it shall not be obligatory upon the part of the LESSOR to enquire into the validity of any taxes, assessments, liens or other charges, or any tax sale, before making payment as herein provided. If LESSEE should in good faith desire to contest any of said items the same may be done on giving LESSOR a bond in the amount thereof conditioned for the payment of such items in case LESSEE be defeated in the litigation."

CHAPTER XIII.

USE OF LEASED PREMISES.

BOND INCREASED WHEN OLD BUILDING IS REMOVED—DAMAGE DUE TO EXCAVATIONS—PERMITTING LESSOR TO TAKE LEGAL ACTION—ARBITRATION BETWEEN LESSOR AND LESSEE—THE PURCHASE OPTION—LOCATION OF PIERS FOR NEW BUILDING.

Stipulations as to the use of buildings occupying leased land vary greatly according to conditions. A variety of clauses might be cited which govern the use of the premises leased. Prior to the enactment of the federal prohibition amendment, most leases contained provisions regarding the sale of intoxicating liquor, either permitting it under certain restrictions or prohibiting it entirely. As the sale of liquor is now outlawed by federal statute, it seems unnecessary to insert a clause in reference to it, unless the lessor specifically demands it.

Leases carry practically the same sort of a provision, tho differently worded, regarding the lessee's use of leased premises. Here is a clause which seems to cover the situation:

> "LESSEE further covenants that said premises and all buildings and improvements thereon shall during the term of this lease be used only and exclusively for proper legitimate and moral purposes and that LESSEE will not use nor suffer any person to use in any manner whatsoever the said premises or any buildings thereon for any purposes in violation of the laws of the United States, the State of ————, or of the Ordinances and Laws of the City of —————, or will save LESSOR harmless from their violation."

It is customary for the lessor to stipulate provisions relative to the manner in which the lessee shall maintain the premises leased, so the security of the lessor shall not be diminished by misuse or neglect. To this end a clause covering the general conditions imposed may include the following:

> "LESSEE further covenants that LESSEE will at all times keep all buildings and improvements on said premises and all appurtenances thereto and all sidewalks, steps and excavations under sidewalks in good, clean, safe, se-

> cure and sanitary condition and repair and will keep any alley adjoining said premises in a clean, sanitary and safe condition and will conform to all enforced municipal ordinances and laws affecting said premises and will save the LESSOR free and harmless from any penalty, damages or other charges imposed for any violation of any of said laws, whether occasioned by the neglect of the LESSEE or any agent in the employ of said LESSEE, or any person contracting with said LESSEE and that LESSEE will indemnify and keep harmless LESSOR against and from any loss caused by damage or expense arising out of the construction and erection of any buildings or improvements on said premises, or out of any accident or other occurrence causing injury of any person whomsoever, or property whatsoever, and due directly or indirectly to the use of aforesaid premises or any part thereof."

Two more or less technical clauses are often inserted into a lease to protect both lessor and lessee. One provides that the waiving of any covenant of the lease shall not be construed as a waiver of any other covenant. The clause reads:

> "It is hereby covenanted and agreed that no waiver of a breach of any of the covenants of this lease shall be construed to be a waiver of any succeeding breach of the same or any other covenant."

The other clause provides that destruction of any of the improvements on the property shall not void the lease. This may be couched in the following language:

> "It is further covenanted and agreed that in case any improvements and buildings upon said premises shall be at any time damaged or destroyed by fire, or other casualty, this lease shall not thereby be terminated, the laws of the state of ———— to the contrary notwithstanding."

In the filing of a bond to secure the payment of rental and to provide for the erection of a new building, it is often held that in the event an old building on the property is removed, the lessee shall furnish an additional bond when such old building is removed and before the new structure is erected. A provision suitable to this situation follows:

> "LESSEE shall have the privilege of removing or razing the building or buildings upon said premises at any time for the purpose of erecting in place thereof a new building or buildings, but prior to such removal a bond or satisfactory security shall be executed to and deposited with LESSOR in the sum of $————, conditioned that

> within two years from the removal or razing of said building or buldings there shall be erected in place thereof a building suitable to the location and of fair value and cost of construction, of not less than $————."

In erecting a new building there is always danger damage may be done to adjoining property while making excavations and installing foundations. To protect the lessor against damage claims, it is customary to include a clause somewhat to the following effect:

> "In excavating for any building to be erected upon said premises, LESSEE shall conform to and observe all laws, statutes and ordinances relating to such excavation and will protect all buildings on adjacent premises and at all times have and keep the LESSOR'S premises hereby leased free and discharged of any liability in favor of the owners of adjoining premises."

Default on the part of the lessee in regard to the payment of rent or fulfilling other obligations of a lease is, of course, followed with legal action on the part of the lessor to repossess himself of the premises leased and a carefully worded clause should be contained protecting the lessor in this respect. The following seems to meet the situation quite fully and is recommended:

> "It is further covenanted and agreed by and between the parties hereto that if any default shall be made by the LESSEE in any payment of rents or taxes, assessments, insurance premiums, water rates, or any other sum herein stipulated and agreed to be paid or kept, or the said LESSEE shall fail to keep and perform any other covenant, condition or agreement, herein provided on the part of LESSEE to be performed, and such default shall exist for a period of sixty (60) days, then, and in that case, the LESSOR may serve upon said LESSEE written notice of such default; and, if such default shall then continue without being wholly remedied for a period of thirty (30) days after the service of such notice, then it shall and may be lawful for the LESSOR, without further notice, to declare said demised term ended, and to re-enter and repossess the said demised premises, and the building and improvements situated thereon, or any part thereof, either with or without process of law, and the said LESSEE does in such event, hereby waive any demand for possession of the demised premises, and any and all buildings and improvements then situated thereon, and the LESSEE covenants and agrees, upon the termination of said demised term at the election of said LESSOR, or in any other way, to sur-

> render and deliver up said above described premises and property peaceably to said LESSOR, or the agents or attorneys of LESSOR, immediately upon the termination of said demised term."

Contentions between lessor and lessee as to interpretations of provisions of the lease sometimes occur and when they do happen considerable trouble is likely to ensue. Many law suits have been instituted to clear up differences of this character where an arbitration by competent persons might have saved great trouble and expense. To abviate this difficulty an effective plan is outlined in the Cleveland standard lease, which provides for the appointment of a board of arbitration and the manner in which it shall function. The use of this feature is, of course, optional in any lease. The plan, which is self explanatory for the most part, follows:

> "The parties hereto covenant and agree that a board of arbitrators shall be constituted from time to time when needed, to decide all questions of compliance, interpretation or values, also any and all other questions, arising under this lease, in regard to which the parties hereto may not agree.
>
> Said board of arbitrators shall consist of three disinterested freeholders, to be appointed out of two lists of five persons each to be suggested respectively by the parties hereto to the presiding judge of the Probate Court of ———— County, ————, which Board shall begin at once and proceed with all reasonable dispatch to determine all questions which may be referred to them as herein provided, arising under this lease and such determination shall in each and every instance be final and binding, on the parties hereto.
>
> Questions to be submitted to said board of arbitrators shall be put in writing by the parties hereto and if either party neglect or fail to act when called upon by the other party, or if any disagreement regarding such questions arise between the parties hereto, said judge of the Probate Court on the application of either party shall put such matters in writing and present the same to said board of arbitrators.
>
> Said board of arbitrators shall report to the parties hereto and to the Probate Court, within thirty (30) days after the questions have been submitted to them their findings in writing signed by not less than two arbitrators.
>
> If any one or more of said arbitrators resign, die or become incapacitated before a full and final determination of all questions submitted to them be arrived at, the

> Judge of the Probate Court shall appoint others in place of the arbitrators no longer acting to make or complete said determination.
>
> The Judge of the Probate Court herein referred to shall be the official or presiding judge longest acting and then most nearly performing the duties of such official as defined by the laws of ———————— in the year of 19——,
>
> The parties hereto shall share equally the cost and expense of said arbitrators, and all expenses connected therewith."

Frequently there arise matters in connection with leases which at the time the document is executed cannot be well foreseen. A definite method for settling such difference is by referring them to the board of arbitrators, if the lessor and lessee see fit to provide for such a board in their lease. The following clause might well be inserted:

> "The parties hereto hereby covenant that in the event of there arising a situation or condition not contemplated by any of the provisions of this lease, which situation or condition affects injuriously the rights and interests of either or both parties hereto, then and thereafter the Board of Arbitrators provided for herein shall be constituted and have full power to decide and determine what each of the said parties hereto shall do and accept or what modifications of the provisions herein shall be made as long as such situation or condition continues, and such decision and determination shall be binding on the parties hereto."

The inclusion of a purchase clause in any ninety-nine year lease is becoming more important each year as banks and financial houses are most insistent that it be a feature of any lease on which mortgage bonds are sold, even if it is never exercised. This is usually a matter of adjustment between the lessor and lessee and may provide that the lessee may have the option to purchase between the sixth and tenth years inclusive, between the eleventh and fifteenth years inclusive or at any future time to be agreed upon, usually at a figure representing the capitalization of the rental being paid under the lease at such time. A simply worded provision for indicating this may be found in the following clause:

> "LESSEE is hereby granted the option at any time between the ————and———— years of buying the fee of the aforesaid premises for the sum of $———— and in case said option is exercised conveyance shall be made by warranty deed and this lease shall thereupon be cancelled."

If an option to purchase is included in a lease the time for its execution should always be specifically stated, otherwise it may not be enforcible.

Difficulty has been experienced in some of the larger cities relative to the placing of pillars or piers of buildings indiscriminately, to the distinct disadvantage of the lessor in the event the lessee defaults. Often in the erection of large structures, land is leased from several owners and it is customary to provide that in the planning of such buildings foundations and piers shall be so placed that the individual owners may take over such portion of a building covering their land and use it for separate and distinct purposes. To this end the following clause has been evolved:

> "Any buildings built on said premises which shall be extended on to adjacent land not owned by LESSOR shall be so designed and constructed as to be satisfactorily and conveniently separately used by LESSOR and have convenient ways of access and egress from and to the aforesaid premises, and have a wall or piers next to the property line of said premises over which such building may extend."

A rather unusual provision has been used in some Chicago long term leases, relative to the giving of consent whereby persons or corporations other than the lessor or lessee directly involved in a lease are permitted to use or occupy part of any street or alley adjoining the property without both the lessor and the lessee jointly giving such permission.

The clause covering this situation is as follows:

> "It is further covenanted and agreed, by and between the parties hereto, that during the term of this lease neither the said LESSOR, nor the said LESSEE, will sign any petition, consent or other instrument in writing whereby any person or corporation other than the LESSEE or those claiming under it, shall directly or indirectly acquire the right to use or occupy any portion of any street or alley upon which such property abuts, or the space above or under the surface thereof, without the other party hereto joining in such instrument or consenting in writing to the execution thereof; It Being Agreed, that in all cases where by law the consent or petition of the owner of the property in question is required for the purpose of any public grant whatever, the joint consent of the LESSOR and the LESSEE in this instrument shall be necessary."

HOTEL ON KANSAS CITY LEASED LAND

This 200 room "flatiron" hotel building, one of the striking structures in downtown Kansas City, Mo., is erected on land leased for a long term. It has stores and a lobby on the ground floor, with hotel rooms above. Large hotels in cities thruout the country are being built and advantageously conducted on leased land.

CHAPTER XIV.

WHEN LEASED LAND IS APPROPRIATED.

A contingency which sometimes arises in connection with leased land is where all or part of such premises is appropriated by municipalities, railroads or other bodies having the power of eminent domain. Some most perplexing problems arise which often end in the courts where lawyers with an aptitude for higher mathematics and involved argument, have their day.

Conflicting decisions in different state courts and the United States Supreme Court have added to the difficulty of determining upon definite treatment for appropriation cases. In one decision of the Ohio Supreme Court, Foote vs. City of Cincinnati, 11 Ohio 408, where land was being taken for street purposes, said land having been leased for a period of five years, the supreme court specifically held that the taking of land for such purposes did not affect the obligation of the lessee, or tenant, to pay rent and that the tenant's compensation must therefore be estimated upon the basis of continuing liability for the full amount of the rent. In the course of the opinion the court said:

> "But this case does not touch the general principle that the right of eminent domain, or the right of appropriating land to public uses, is no proper technical incumbrance on the land, and that such appropriation is no eviction. Folts v. Huntley, 7 Wend. 211; Elisha Parks v. City of Boston, 15 Pick. 198. The rights of the parties, therefore, are unaffected by those rights. The tenant's liability to pay rent to his landlord continues unimpaired, and he is entitled to a compensation to include the largest sum."

An eminent lawyer, in commenting upon this decision says: "On principle, the rule applied in the Foote case seems subject to criticism. The result of the appropriation, if not in law technically an eviction, is certainly one for all practical purposes. Apparently the rights of all parties may be determined as well upon the basis of the immediate termination of the lease as upon the basis of its continuance."

How are interests to be divided and damages awarded where only a portion of a leased property is taken by means of appropriation? In 1905 the Supreme Court of Maryland passed upon the case of Mayor, etc., vs. Latrobe, 101 Maryland 621, involving simply land and not improvements. It was held by the court that justice could only be done by apportioning the rent upon the basis of the values of the two parcels resulting from the division of the premises; that the owner of the land was entitled to compensation for the portion taken and that the tenant would continue liable only for the fair proportion of the rent assignable to the premises not taken.

Legal authorities which may be consulted in connection with cases where leased land has been appropriated are:

> Corrigan vs. City of Chicago, 144 Ill. 537; Stubbings vs. Village of Evanston, 136 Ill. 37; O'Brien vs. Ball, 119 Mass. 28; Mayor, etc., vs. Latrobe, 101 Md. 621; Tiffany on Landlord and Tenant, Vol. 1, Page 1180 (Edition of 1910. Long discussion); 24 Cyc. 1149; and 41 Lawyers' Report Annotated (N. S.) Page 430.
>
> Foote vs. City of Cincinnati, 11 Ohio 408; Good vs. Droste, 8 O. C. C. N. S. 452; Cincinnati vs. Neff, 10 Ohio Decisions Reprint 292; Batterman vs. City of Cleveland, 18 O. C. C. N. S. 446; Village of Put-in-Bay vs. Steimell, 18 O. C. C. 644; City of Cincinnati vs. Eversman, 4 Ohio Reporter 140; City of Cincinnati vs. Mueller, 8 N. P. N. S. 195 and Steifel vs. Metz, 7 Ohio Decisions Reprint 308.

It is maintained by those familiar with such matters that where only a portion of a property is taken the lease should be continued on some fair basis as to the residue of the property. The lessor should receive compensation for property taken but should submit to a readjustment of such terms of the lease as are interfered with by the appropriation, including the amount to be paid on the exercise of any option granted in the lease.

It is suggested by eminent lawyers that in the drafting of leases provision should be made in anticipation of the condemnation and appropriation of leased land. Most states have specific statutes covering such operations which assure, for the most part, fair treatment to all parties concerned. One suggestion is that provisions should be incorporated in a lease requiring that the rent reserved should be abated in the proportion which the value of the property taken bears to the value of the entire property, making allowance for the effect of the appropriation on the residue; that the value of future improvements and the amount of security to be furnished therefor, as well as the amount to be paid upon the exercise of any purchase option granted to the lessee should be correspondingly reduced and that all differences between the parties concerning such values and amounts should be adjusted by arbitration.

In this connection an interesting method for taking care of appropriation cases has been inserted into one lease, which follows in complete form as used in the lease:

> 1. "In the event that the aforesaid land or a part thereof be appropriated by some corporation having the power of eminent domain or be conveyed by the parties hereto to avoid proceedings in appropriation, there shall be ascertained and determined by the Board of Arbitrators, provided for herein, unless the same has been otherwise ascertained and determined:
>
> (a) The value of the land so appropriated or conveyed.
>
> (b) The separate value of any buildings of Lessor standing on the land so appropriated or conveyed.
>
> (c) The separate value of any buildings belonging to Lessee standing on the land so appropriated or conveyed.
>
> (d) Any damages to the residue.
> The total of the above four items shall be the amount to be distributed as provided below in this clause.
>
> (e) The total future rentals payable to the Lessor under this lease and apportionable to the land so appropriated or conveyed, and also the total future rentals of the buildings standing thereon belonging to Lessor. In determining future rentals in a lease containing a provision for re-appraisal at a future date, the Board of Arbitrators may disregard said provision if the date for reappraisal be more than ten years hence, but, in case it be less than ten years hence, said Board may make such re-appraisal at once and determine the future rentals including such re-appraisal.
>
> 2. The future rentals payable to lessor for the land appropriated or conveyed, also the future rentals payable to lessor for buildings standing on said land belonging to lessor, (except so much of said building rentals as may accrue on money received for said buildings which the arbitrators may determine shall be used for new construction on the residue of the land,) shall be abated.

3. Out of the moneys received for said land appropriated or conveyed, also out of the moneys received for said buildings belonging to lessor, except so much of said building moneys, as may be used for new construction there shall be paid to lessor an amount on which the annual interest (computed at the rate determinable by the arbitrators from the lease, as nearly as such rate can be so determined, as the rate on which rentals were contracted for in the leasehold agreement) shall equal the rentals annually abated.

   If there be not sufficient moneys thus received, the full amount thereof, except so much as may be used for new construction, shall be paid to lessor.
   If there be an excess in said moneys so received, over the amount above provided to be paid to lessor, and used for new construction, there shall also be paid to lessor from such excess, an amount which placed at interest at the rate of 3% per annum compounded annually, will equal, at the end of the current term of this lease, the amount of said excess.

4. Out of any remaining moneys received for said land appropriated or conveyed, also out of any remaining moneys received for said buildings belonging to lessor, also out of all moneys received as damages to the residue, also out of all moneys received for buildings standing thereon belonging to lessee, there shall be deposited with the trustee then acting, provided for in clause 16, the amount of money which the arbitrators may determine should be invested in the construction on the residue of said land, of a building suitable to its location, and of the same relative value to said residue as the value of the building provided for in clause 11 bore to the value of the whole land when the lease was executed, which money shall be available to the lessee for such purpose, and which building must be built within 18 months thereafter.

5. All remaining moneys shall be paid to lessee."

Another leasing expert, in discussing the above mentioned appropriation method has suggested the following simpler answer to the problem:

*(Note—Where * appears it is supposed to represent the value of property agreed upon when the deal was originally made.)*

"The total of the items listed under A, B and C shall be the amount the Lessor shall receive, subject, however, to the conditions as set forth in Sections 1 to 7 inclusive of this clause.

Section 1. The total amount Lessor is to receive in any event shall not exceed the sum of *.......... the balance, if any there be, to be paid to Lessee.

Section 2. If only a part of said property be disposed of for the sum of *.......... or more, in that event the Lessor is to convey the remaining part of said premises to Lessee by general warranty deed, free and clear of all liens and encumbrances except the taxes and assessments.

Section 3. If the entire property be disposed of for a sum less than *.........., the Lessor is to receive said sum in full of all claims under this lease, the same to become null and void and the Lessee released from any and all obligations hereunder.

Section 4. If the amount received for a part of said property be less than *.........., the rental on the remaining part shall be reduced forever from the original rental terms, by deducting therefrom a sum equal to 6% on the amount so received.

Section 5. The building obligations of this lease shall be reduced by the percentage the rental is reduced as set forth in Section No. 4 of this clause.

Section 6. In the event of the disposal of part of said property before the building requirements have been complied with the bond as well as the value of the building as required shall be reduced by the percentage the rental is reduced as above set forth.

Section 7. Out of all moneys received for buildings standing thereon belonging to Lessee, there shall be deposited with the Trustee then acting, provided for in Clause No. 16 of the Standard Cleveland Lease, the amount of money which the arbitrators determine should be invested in the reconstruction of any building standing on the residue of land to bring the value of said improvement up to the value of a building required under building condition of this lease as modified by Sec-

> tion 5 of this Clause. In the case the remaining portion of any building standing on the residue of land has no commercial value, or in event there is no building on said residue of land then the arbitrators shall have deposited with the Trustees then acting, the money received for the Lessee's benefit up to the amount required under the building condition of this lease as modified by Section 5 of this Clause, which money shall be available to the Lessee for such purpose, and which building or improvement must be completed within eighteen (18) months thereafter. All remaining moneys shall be paid to Lessee."

It is maintained by some authorities that a complete appropriation of land for public or quasi-public purposes completely extinguishes a lease and that most decisions quoted heretofor apply only to the instances where a portion of a tract of land is appropriated.

CHAPTER XV.

TERMINATION PROVISIONS.

One of the important features of a long term lease is the manner in which it terminates at the end of the stipulated period for which it is to extend.

Many leases are now written which provide at the time they are first made that at the end of the first term of ninety-nine years, they shall be renewed forever upon the same terms and conditions. This arrangement is usually sought by the lessee and usually is not objected to by the lessor who is seldom interested in what happens a century hence. There are some lessors, of course, who insist upon very rigid conditions which shall go into effect at the termination of the first ninety-nine year period. Such stipulations give added value to the contract and make it a more marketable instrument. It is a fact that a lease renewable for a second term, or forever, has distinctly more value than one made for only a term of ninety-nine years.

Absolute fairness, after all, should be the element most sought in providing for the termination or renewal of the contract and if the lease is not made renewable forever at the outset considerable study should be given the termination clause when the original lease is drawn.

Here is a provision, which has been used in a number of leases, which is not long and yet complete. It provides a middle ground for the settlement of the problem in question and is as follows:

> "LESSEE shall have the right to renew the said lease forever; said right to renew to be exercised by written notice from the LESSEE to the LESSORS, notifying the Lessors of the intention and desire of the Lessee to renew this lease, which said written notice shall be delivered to the LESSOR or Trustee for Insurance, at any time between April first, two thousand and fourteen (2014) and April first, two thousand and eighteen (2018). In case this lease is then in force and effect and the LESSEE is not in default under any of the terms hereof, then upon receipt of said notice, this lease shall be renewed forever upon the same terms and conditions as herein contained, provided that a building or buildings costing not less than Two Hundred Thousand Dollars ($200,000.00) shall have been

> erected during the term of this lease and such building or buildings shall be on said premises at the terminaton of this lease, or that the rent shall have been guaranteed or assumed by a corporation or corporations satisfactory to the Trustee for Insurance, as hereinbefore provided. If this lease is not renewed, as aforesaid, then at the termination of the present term, all buildings then on the premises shall be forfeited to the LESSORS without any compensation therefor to the LESSEE."

A longer but very complete form, and one that follows the middle ground, has been successfully used in leases in larger eastern cities. Among other things this provision permits of the division of the property, vesting in each in fee simple the land to the lessor and the improvements to the lessee if he has paid for the same. It also allows of the purchase of each other's interest by either party.

This interesting termination, which may be varied to suit individual requirements or circumstances, follows:

> "That in case this indenture shall then be in force and the Lessee not in default hereunder, the Lessee, upon condition that it notify the Lessor in writing not less than one year prior to the expiration of the term hereby demised, to-wit: On or before February 1, A. D. 2017, shall have the right, at its election, to have the term of this lease extended for an additional period of ninety-nine (99) years beginning February 1, A. D. 2018, and ending January 31, A. D. 2117, upon precisely the same terms and conditions.
>
> In case this indenture is then in force and in case the Lessee shall not on or before said February 1, A. D. 2017, so notify the Lessor of its election to have the term of this indenture extended, as hereinbefore provided, then not more than ten (10) months prior to February 1, A. D. 2018, nor less than six months prior to said date, the then fair market value of the premises hereby leased, together with all the buildings and improvements thereon standing at that time, and also the then fair market value of the demised land, exclusive of the buildings and improvements, shall be fixed and determined by three disinterested resident free-holders of the City of————, ——, one to be chosen by the Lessor, another by the Lessee, and the third to be selected by two so chosen. If either the Lessor or the Lessee shall neglect or refuse to choose such appraiser and to notify the other party in writing of such choice within ten (10) days after notice from said other party so to do, the party who has chosen the appraiser to be selected by him, and given notice thereof, as aforesaid, may there-

upon apply to the Judge of the United States District Court for the District and subdivision in which the City of ———— is located, or if there then be no such District Court, then to the Judge of such United States court as then exercises a jurisdiction similar to that of the present District Court, and if there be more than one of such judges for such subdivision, then to the oldest judge of said Court in point of service, to select and appoint an additional appraiser, and the appointment by such judge shall be binding upon both parties hereto in all respects as though such appraiser had been selected by the party who so failed to appoint. The two appraisers chosen by either of the above methods shall choose a third, but in case the said two appraisers shall be unable, or shall fail to agree upon a third appraiser within ten (10) days after their selection then the Lessor and Lessee may themselves choose a third appraiser by agreement, but in case of their failure to agree upon a third appraiser within ten (10) days after the failure of the two appraisers to select such third appraiser, then the Lessor and Lessee, or either of them, may apply to the said Judge of the United States District Court, or the Judge of such other United States court, as hereinbefore provided, to select and appoint said third appraiser, and the appointment by such Judge of said third appraiser shall be binding upon the Lessor and Lessee the same as though he had been chosen by them.

The three appraisers chosen or appointed in either of the methods hereinbefore provided, in joint session and by majority vote, and after actual view of the premises, shall ascertain and fix the then fair market value of said land with all buildings and improvements thereon, and the then fair market value of said land, exclusive of the buildings and improvements, and return the respective amounts so ascertained and fixed, in writing, and signed in duplicate by any two of said appraisers prior to or upon the date hereinbefore provided, to-wit: on or before August 1, 2017, and the amounts so fixed shall be final and binding upon both parties hereto.

The amount so fixed as the fair market value of the land, exclusive of the buildings and improvements, shall be taken to be the value of the land for the purposes hereinafter stated, and the difference between the fair market value of the land with the buildings and improvements thereon as so fixed, and the fair market value of the land, exclusive of the buildings and improvements as so fixed, shall be taken as the value of the building or buildings and improvements for all the purposes hereinafter set forth.

The Lessor shall have the first right, upon condition that it notify the Lessee in writing of its election so to do on or before the expiration of thirty (30) days after the determination and fixing of said values, to-wit: on or before September 1, A. D. 2017, to purchase the entire interest of the Lessee in the buildings and improvements by paying to the Lessee therefor the amount of the value of said buildings and improvements determined and fixed as hereinbefore provided, such consideration to be paid in cash on or before the date of the expiration of the term of this lease, and upon the execution and delivery by the Lessee to the Lessor of such deed or bill of sale as shall be requisite to vest in the Lessor the complete fee simple title and ownership of such buildings and improvements, free and clear of any and all liens and claims created or suffered to attach thereto by the Lessee.

In case the Lessor shall not within the time hereinbefore fixed therefor, notify the Lessee of its intention to purchase the Lessee's interest in said buildings and improvements, the Lessee shall have the right, on condition that it notify the Lessor in writing of its election so to do on or before the expiration of two months after the determination and fixing of said values, to-wit: on or before October 1, A. D. 2017, to purchase, in fee simple, the said demised premises, and all of the right, title and interest of the Lessor therein, and in and to the buildings and improvements thereon, by paying to the Lessor the value of the land determined and fixed in the method hereinbefore provided, such consideration to be paid in cash on or before the date of expiration of the term of this lease, and upon delivery to the Lessee by the Lessor of a good and sufficient deed conveying the demised premises to the Lessee, its successors and assigns, in fee simple, free and clear of all encumbrances, except such as may have been created or suffered by the Lessee.

In case neither of the parties shall, within the respective periods of time hereinbefore provided, have elected to purchase the interest of the other at the price and upon the terms hereinbefore provided, then at the expiration of the term of this lease, the Lessor and the Lessee shall become and be tenants in common in fee simple, of the entire premises, including the land and all buildings and improvements thereon, in the respective proportions following, namely:

(a) The Lessor shall own and have such proportionate interest as the value of the land as so fixed bears to the aggregate value of the land with the buildings and improvements thereon as so fixed; and

(b) The Lessee shall own and have such proportionate interest as the value of the buildings and improvements as so fixed, bears to the aggregate value of the land with the buildings and improvements thereon as so fixed; and the parties shall thereupon, on or before the expiration of the term of this lease, exchange such deeds and conveyances as may be requisite to vest in each in fee simple, its said undivided proportional interest in common in the entire premises.

12. That in case the Lessee shall have elected, upon the terms and conditions hereinbefore provided, to have the term of this lease extended for an additional term of ninety-nine (99) years, and in case this lease shall remain in force until the expiration of such extended term, then not less than ten months nor more than six months before the expiration of such extended term, the respective values of the land and of the buildings and improvements shall be determined and fixed by appraisal in precisely the same manner as provided in foregoing Subdivision 11, and thereupon the parties shall have precisely the same respective options and rights, in the order there stated, to purchase the entire interest of the other at the respective prices and upon the terms that are provided in said Subdivision, and in the event that neither shall purchase the interest of the other upon the terms provided in said Subdivision, then, at the expiration of such extended term, they shall become and be tenants in common, in fee simple of the entire premises, including the land and all buildings and improvements thereon, in the respective proportions determined as provided in said Subdivision 11.

13. That in case for any reason the appraisal provided to be made in foregoing Subdivisions 11 and 12 shall not be completed in time to enable the parties to exercise the respective rights and options within the respective periods of time hereinbefore provided, such appraisal shall be completed as soon as practicable and the Lessor shall have the period of thirty (30) days after the completion of such appraisal within which to elect whether it will purchase the buildings and improvements, upon the terms hereinbefore provided, and in case of its failure so to elect, the Lessee shall have the period of thirty (30) days thereafter in which to decide whether it will purchase the land upon the terms hereinbefore provided, and if necessary to enable the parties to have the respective periods within which to make their said respective elections, the term of this lease shall be sufficiently extended to give the parties

> said respective period of time, the Lessee paying the rents at the rate per annum herein provided for such extended period."

A form of termination for a ninety-nine year lease, which is inclined to favor the lessee to some extent and which has rather interesting provisions is as follows:

> "The Lessor hereby agrees that at the expiration of the term of this lease, to-wit, the fourteenth day of April, A. D. 2008, the Lessor will take such buildings and improvements of the Lessee as shall then be remaining upon its said land and will pay said Lessee, therefore, whatever said amount said buildings and improvements shall be found to add to the value of the LESSOR'S land for the general purpose to which the said land will then be adapted. The amount to be paid for said buildings and improvements, unless mutually agreed upon by the parties hereto, shall be determined by appraisement in the following manner: Said LESSEE shall notify said Lessor in writing at the place then designated for the payment of rents, as herein provided, within six (6) months prior to the expiration of the term of this lease and prior to the first day of January, A. D. 2008, of the LESSEE'S desire to have the amount which said buildings and improvements shall be found to add to the value of the said land, and if said parties hereto shall fail to agree upon such amount within thirty (30) days after such written notice, then said LESSOR and said LESSEE shall, within the next thirty (30) days, each select one disinterested resident owner of real estate in said City of ————, ————, and shall thereupon notify the other party of such choice, and if either of said parties shall fail to make such choice and to so notify the other within said thirty (30) days, then the party who has so chosen and given such notice shall, upon the expiration of said thirty (30) days, notify the Probate Judge of ———— County, ————, to choose another such owner of real estate, and the two (2) in either manner so chosen shall choose a third such owner of real estate, and these three (3) in either manner so chosen shall appraise and fix the amount which said buildings and improvements in their then condition shall be found to add to the value of the land for the general purposes for which said land is then adapted, and the said amount so fixed in writing and signed by three (3) or any two (2) of said appraisers shall be taken as the true value of said buildings and improvements to be paid therefor as aforesaid by the said LESSOR to the said LESSEE upon the termination of this lease, and until paid the LESSEE shall have a lien upon the said premises.

An unusual feature sometimes included in a ninety-nine year lease provides that if there is loss or destruction of the buildings and improvements within the last five years of the ninety-nine year term, the lessee shall have the option to void the lease rather than go to the expense of rebuilding the property. In this event, of course, the lessor secures possession of all the insurance money. This clause is as follows:

> "It is understood and agreed by and between the parties hereto that in the event of the loss or destruction by fire or otherwise of the building and improvements on said demised premises within five (5) years of the end of the term of ninety-nine (99) years herein first demised, resulting in the total loss of said buildings and improvements, the Lessee shall have the right within thirty (30) days after the occurrence of such loss or destruction to terminate this lease by the service of a notice in writing upon the Lessor of its intention so to do, and upon the service of said notice as aforesaid, within said period of thirty (30) days after such loss or destruction, this lease and the term thereof shall cease and the Lessor shall be entitled to all of the insurance money recovered on account of such loss or destruction, and to all the advance payments made by the Lessee under this lease, and all rights of the Lessee under this lease shall terminate and end, but the Lessee shall nevertheless remain liable to the Lessor for the payment of any and all rents and additional rent in arrears at the time of such termination of this lease, and for any damage suffered by the Lessor for the breach of any of the covenants and agreements hereof by the Lessee occurring prior to the date of such termination as aforesaid."

In the event of a lease being made renewable forever at the expiration of the first ninety-nine year period, it is desirable to have a specific provision whereby such an extension may be made when the time becomes necessary. A clause providing for this contingency follows:

> "It is further covenanted and agreed that in the event that this lease shall be in existence and in the event that the Lessee desires to exercise its option to renew the same for an additional term of ninety-nine (99) years renewable forever as hereinbefore provided, the Lessee shall notify the Lessor to that effect in writing on or before ninety (90) days prior to the expiration of the lease, and in the event of the failure of the Lessee so to notify the Lessor on or before said date, this lease shall cease and

> determine as of and at midnight, the ———— day of ———— A. D. ———, and thereupon the buildings and improvements then situated upon the demised premises shall pass to and become the absolute property of the Lessor without compensation to the Lessee, free and clear and discharged of every claim whatsoever on the part of the Lessee or any person claiming through or under him."

An interesting question has arisen as to whether physical or economic value should prevail when improvements are purchased at the termination of a lease. The question of appraising a building at such a time is often a delicate one. The physical value of improvements is seldom an index of the commercial or economic value which should be the reasonable basis on which price is based. Often leases are drafted with the simple provision that the value of the improvements shall be established and payment for the same be made on such an appraisal. It might be well to state specifically that the appraisal shall specify the building's economic value and payment be based on it. Another method is to provide that a building shall be appraised according to "the extent such building adds to the value of the land."

The greatest care should be taken in drafting the clause in a lease dealing with the disposition of buildings at the end of the lease term. In some leases now in existence, there is certain to be a great deal of difficulty experienced between lessor and lessee as to the settlements of interests when the lease terminates. Very definite methods for disposing of all interests involved should be included in the written instrument and no loophole for controversy should be permitted to exist.

CHAPTER XVI.

EFFECT OF FEDERAL AND STATE INCOME TAX LAWS.

Complications of a more or less involved nature concerning long term leases have developed in connection with interpretations relative to the payment of income taxes on rentals collected under long term leases. Many lawyers of note have studied the matter carefully and it has also been the subject of numerous state and United States Supreme Court decisions.

It is quite natural that a lessor, if able to do so, will shift the burden of paying income taxes on rents specified under a ninety-nine year lease upon the shoulders of the lessee, it being the general theory of leasing that the lessor is to receive his rentals net and free from charges of all kinds. This, however, has not been entirely concurred in by the courts.

In the case of Pollock vs. Farmers Loan & Trust Co., 157 U. S. 429, in rehearing 158 U. S. 601, the United States Supreme Court maintained that a tax on rents or income from real estate is a direct tax and for this reason held that the income tax law passed in 1894 was unconstitutional because it violated the rule prescribed by section two, article one, of the federal constitution in respect to the apportionment of direct taxes among the states. In delivering the court's opinion on the first hearing of the case Justice Fuller said:

"An annual tax upon the annual value or annual use of real estate appears to us the same in substance as an annual tax on the realty which would be paid out of the rent or income."

In view of this decision it has been maintained by some lawyers that the ordinary covenant of the lessee to pay taxes and assessments upon leased premises, found in practically all long term leases, obligated the lessee to pay also the income taxes levied on the lessor in respect of the rents.

In many cases passed upon, however, by state courts, there has been a diversity of opinion regarding income taxes and who should pay them. A number hold that a lessee under a ninety-nine year lease is not obligated to pay income tax unless the lease expressly so provides. Other authorities of equal importance hold that mere consent to pay all taxes and assessments levied upon or in respect of the rents does obligate the lessee to pay income taxes assessed against the lessor on account of the rents, whether such taxes are paid by the lessor or are required to be withheld by the lessee and paid at the source.*

Successive income tax laws passed by congress in defining income subject to taxation have expressly included rents from real property and the Treasury Department in its regulations has ruled definitely that the lessor must include in his income not merely the amount of money paid by the lessee in rent, but also taxes and assessments upon the land and buildings where under the lease these are paid by the lessee, the theory being that these taxes are assessed against the lessor and the lessee in paying them simply pays so much additional rent. When the premises are used by the lessee for business purposes the law permits him to deduct as an expense all rents paid by him and also all taxes and assessments paid for the lessor. The lessor on the other hand must include in his gross income not only the rents proper but also the taxes and assessments paid for him by the lessee, but he is entitled to deduct them from his gross income as taxes paid, so the result is the same as if he merely returned the rent proper.

In the event a lump sum is paid in the way of a bonus for improved property, such sum must be treated by the lessor as additional rent and returned by him as a part of his income for the year in which it is received, but under the regulations the lessee is not permitted to deduct the entire amount of the bonus in the year in which it is paid, but is required to pro rate it over the term of the lease and deduct only a pro rata share of the bonus in each year's income tax. It has been suggested by several able lawyers that this so-called bonus is not a bonus at all, but is in fact, a purchase price of the improvements upon the premises. In such case, it is contended, the lessor may be saved the tax if care is taken in drawing the lease, to make that fact clearly appear and include either in the lease or in a collateral instrument an express conveyance of the buildings to the lessee, this conveyance being subject, of course,

**Cases bearing on the same matter are:*

Sutter v. Jordan Marsh Co., 225 Mass. 34;
Codman v. American Piano Co., 229 Mass. 285;
Kimball v. Cotting, 229 Mass. 541; and on rehearing
Kimball v. Cotting, 125 N. E. 551;
Park Bldg. Co. v. Yost Furniture Co. (Mich.) 175 N. W. 431;
Des Moines etc. Ry. Co. v. Chicago etc. Ry Co. (Iowa) 177 N. W. 90;
R. R. Co. v. Ry. Co. (Pa.) 108 At 1.528;
Ry. Co. v. Rapid Transit Co. 263 Pa. St. 561;
R. R. Co. v. Ry. Co. 249 Pa. St. 326;
R R. Co. v. R. R. Co., 255 Pa. St. 269;
See Also
Northern Trust Co. v. Buck & Rayner Co., 263 Ill. 222.
Van Rensellear v. Dennison, 8 Bar. 23;
Woodruff v. Oswego Starch Co., 177 N. Y. 24.

to the rights and liens usually reserved to the lessor in respect to the improvements on the leased premises. When this is done it is contended that the lessor's income is increased, only if, and to the extent that, the price received for the improvements represents the profit over their original cost or if acquired or built before March 1, 1913, over their value on that date, less depreciation. Such an arrangement, it is claimed, does not injure the lessee because he can deduct depreciation on the buildings until he has taken credit for the amount so paid.

Considerable speculation is rife as to the question whether the lessee should agree to pay state income taxes on rents received by a lessor. It is conceded that the lessor is assured his rental is net on a long term lease and that taxes are assumed by the lessee and it is contended that inasmuch as a state income tax law will have the practical effect either of reducing the property taxes upon real estate or at least of relieving the property from an increased burden of taxes, there is some justice in providing that the lessee should be required to pay state income taxes hereafter imposed on rents and some leases now include that feature, in anticipation of the time when states may raise revenue through the medium of income tax laws.

One way in which this has been accomplished has been to provide that the lessee shall pay taxes amounting to not over three percent of the taxable value of the property involved, which shall include property taxes and an amount in addition that will make the total taxes paid amount to not more than three percent. This has been covered in the following clause, which is typical of those which provide for this problem:

> "If the State of .... or any political subdivision thereof, in addition to imposing direct taxes, assessments or charges upon the land or improvements herein leased, by virtue of any future laws or ordinances, levies or imposes a tax or charge upon this lease or the leasehold estate, and during the time that such laws or ordinances are in force whereby taxes or charges are levied or assessed upon this lease or the leasehold estate, the direct taxes levied upon the land and improvements are less than three percent (3%) of the value of said premises with improvements thereon as assessed for taxation, the LESSEE in such year shall pay to the LESSOR as additional rental the difference between an amount equal to three per cent (3%) of the value of said premises with improvements thereon as assessed for taxation and the direct taxes on the premises and improvements, but such amount

> so paid shall not exceed the taxes or charges assessed or levied upon the lease or leasehold estate."

In view of the fact that all of the income tax laws provide graduated rates of taxes and also certain deductions and exemptions in computing the net income subject to tax, it is interesting to note that there is seldom any serious dispute as to the amount of tax in question. It seems to have been conceded that the lessee could be held to pay only so much tax as would have been payable by the lessor if the rent from the lease were the lessor's sole source of income over and above his personal exemption. It is suggested by well informed lawyers that if such a clause is included in a lease it provide definitely that in no case should the amount to be paid by the lessee exceed either the amount of the tax actually payable by the lessor or at least the amount which under the law then in force would be payable by an individual if the rent under the lease were the lessor's sole source of income over and above any exemptions provided by law.

The matter of the lessee being required to pay a lessor's income tax, whether federal or state, is likely to long continue to be a bone of contention which may develop in connection with the making of leases in future years. Most lessors do not require the payment of the federal income tax but lean towards the theory that the state tax should be paid by the lessee as the revenue received by the state will be utilized in lowering the property tax, or will at least provide extra benefits which will inure to the lessee in the possession and operation of leased premises.

OFFICE BUILDING ON LEASED LAND

This million dollar office building in Cincinnati is on leased land, with a perpetual ground rental alone of $52,500 per year. The Proctor & Gamble Co. occupies the upper four floors as its headquarters. Many office structures, with ground floor stores, are now being erected on leased premises in many American cities. Mortgage bonds which are retired over a period of fifteen to twenty years are usually issued to furnish most of the money needed for the erection of such buildings. These bonds pay investors 7% and 8% and are amply secured by rentals.

CHAPTER XVII.

COMMISSIONS FOR NEGOTIATING LEASES.

One of the difficulties brokers encounter in making leases is the figuring of the commissions to which they are entitled for their services.

It is quite easy to compute the compensation due a broker who sells a piece of property, but not always so easy to determine what he should collect when he negotiates a lease, which is a much more complicated and technical transaction than a sale.

It is necessary, of course, for a broker to observe an established rate of commission and that can easily be taken care of by a local real estate board. The rate for making leases usually conforms to that charged when a straight sale is made, but the method of computing it is different. In some cities commission on a lease is figured on the straight selling value of the property involved.

In the city of Cleveland, for instance, the rate for selling improved property is four percent on the first $20,000 and two and one-half percent on the excess. As Cleveland operates very extensively in ninety-nine year leases, it is interesting to note the provisions which have been adopted as a part of the commission schedule of The Cleveland Real Estate Board. The rule covering leases is as follows:

"When making an original ground lease or sub-lease thereof, the commission shall be figured upon the total rental, but it shall not exceed the commission which would be due for the sale of the property, capitalizing the average annual ground rent over the entire term of the lease, but not to exceed ninety-nine years at six percent."

In figuring commission on a ninety-nine year lease, it is first necessary to determine the rental paid for the full term and then by dividing it by ninety-nine, the average yearly rental may be ascertained. This is capitalized at six percent, which gives the value of the property, the regular commission rate being charged on that sum.

An example:

A typical 99 year lease calls for:

Rental, first five years	$3,200 per year
Rental, second five years	$3,500 per year
Rental, remainder of term	$3,800 per year

Total rental for first five years is	$16,000
Total rental for second five years is	$17,500
Total rental, balance of term, 89 years, is	$338,200
Total rental for 99 years	$371,700

Divide this total of $371,700 by 99 to give yearly average rental, which would be $3,754.55.

Capitalization of this yearly ground rent at 6% will furnish a figure which represents the value of the property. To capitalize at 6% multiply the amount of the average yearly rental by 16⅔, which in this instance would give the total value of the property as $62,575.83.

Commission under the Cleveland Real Estate Board rates would be as follows:

Commission of 4% on first $20,000	$800.00
Commission of 2½% on balance of $42,575.83	$1,064.40
Total commission on deal	$1,864.40

The Cleveland Board has another useful rule:

"On sales of ground leases and improvements, the commission shall be figured: First, the board rate upon the value of the land as determined by capitalizing the average ground rental for the entire term of the lease, but not to exceed 99 years, at six percent, plus the board rate on the consideration paid for the improvements."

In other words, the commission shall be paid for leasing the land and then an additional amount charged for selling the improvements, the commission to be figured on the value of the building as represented by the consideration paid for it.

One of the problems sometimes encountered is in the sale of a leasehold for a bonus. For instance, a lease for ninety-nine years is made to A, who holds it for a few years, the leasehold advancing rapidly in value. A is asked to sell it to B and sets a price of $50,000 on it as a bonus for turning over his lease at its original terms. In a case of this kind, the rental for the unexpired term should be computed and capitalized and the regular commission charged on it, to which is to be added the regular commission on the $50,000 bonus.

Brokers of experience refuse to negotiate a long term lease and accept commission on the amount established by an option to purchase.

In some cities the sale of a leasehold carrying a bonus is covered by a flat rate of five, ten or even fifteen percent on the amount of the bonus, according to the profit being realized by the person selling the leasehold. In the event this method is used, a definite contract should exist between the owner of the leasehold and the broker before the transaction is proceeded with, otherwise difficulty is apt to arise.

It is sometimes puzzling to know how to figure a commission on a so-called reappraisal lease. These leases are no longer in favor, but an occasional one is made or sold. For instance, a lease is made for ninety-nine years with reappraisal periods every ten years. It is manifestly impossible to tell what the rental will be at each ten year period, but it is only fair to assume that it will advance, at least slightly. About the only thing a broker can do is to assume that the rental charged over the first ten years continues for the full period and figure his commission accordingly. It is not a very satisfactory method and the agent doubtless loses some commission, but it seems to be about the only solution. Few reappraisal leases will probably be encountered in any event, for they are troublesome contracts and are no longer recommended.

In selling a reappraisal leasehold which has extended for part of its term, the broker may ascertain the present year's rental and capitalize it for the remaining number of years that the lease has to extend and charge in the regular way. This is usually satisfactory to the seller and the broker must be content for there is no way to determine what rentals the lease may eventually stipulate.

Commission on negotiating a lease is due in full when the minds of the lessor and the lessee meet, but usually is not collected until the lease is signed and the lessee enters into possession of the property. If the minds have met, however, and some technicality prevents the consummation of the lease, the broker can, in most states, collect his commission.

It will be observed that the compensation received by the broker who leases a property, according to the Cleveland practice, as against that he would receive if he sold the property outright is somewhat larger, but he is entitled to greater compensation, as by his knowledge and experience he is able to show the lessee the advantage of binding himself to pay rent over a long term of years, the first few years of which the land is usually being rented at somewhat in excess of its actual market value.

Substantial commissions can be earned by the broker who engages in the negotiating of long term leases for he is usually handling large and valuable properties which can be transferred just as in the case of a sale, but the acquiring of which involves comparatively little ready cash. It is by far the most profitable work a broker in a city of any considerable size can engage in.

CHAPTER XVIII.

AGREEMENT TO MAKE A LEASE.

Is it advantageous for a broker to have the lessor and lessee subscribe to an agreement to make a lease?

It is, of course, rather unusual to sign one contract, agreeing to make another but longer contract on the same subject, and yet in cities where leasing is extensively practiced, it is the experience of realtors that in some cases the use of a form of agreement is advantageous.

While the lessor and lessee are still politely calling each other by their first names and before lawyers for the contracting parties have appeared, it is oftentimes easy for the broker, if of the right character and influence, to get the lessor and lessee to agree to certain fundamental features of the lease, and it is to crystalize and maintain these fundamentals, before the mass of technical detail is encountered, that an agreement is useful.

There are, generally speaking, between forty and fifty matters which should be covered in a long term lease. Three fourths of the number might well be standardized; the other one fourth must be agreed to upon each occasion a new lease is being drawn.

A lease, frequently, covers twenty to thirty typewritten legal cap pages. An agreement can be written in two or three pages and once signed is of material assistance in holding the parties in line and requiring them to go through in good faith with a transaction which might otherwise be wrecked because of differences over minor technical, and more or less unimportant, details.

In such an argeement to make a lease, copy of which may be found in full in the addenda, it is necessary to stipulate the parties to the lease, the property to be placed under lease, the rentals and terms of years over which rentals are to extend, the price and time of the purchase option, if such an option is included—and it usually should be—the value of the building to be erected and the time of its erection, the fact that insurance shall be of a certain amount and similar important matters which form the real basis of the completed document.

Attorneys sometimes advise their clients not to sign agreements to make leases, preferring to direct the drawing of the lease themselves. However, if an agreement to make a lease recites the main matters to be settled and is accompanied by a form of lease which covers the additional matters, it is quite safe for both lessor and lessee to proceed. In cases where the broker has the matter well in hand and both parties show a disposition to be fair in their negotiations, agreements may be dispensed with.

A lease agreement is simply a digest of the terms which both lessor and lessee are willing to subscribe to and it seems just as wise to use an agreement in such a transaction as it is to use an agreement of sale, in which both buyer and seller are bound to proceed as soon as a satisfactory abstract or certificate of title is furnished. Properly drawn, and accompanied by a form of lease, such an agreement may actually constitute a lease.

In the case of a sale, there is always a period of time which elapses during which either party to the transaction may attempt to withdraw, much to the detriment of the other party concerned, and also the broker. In making a lease there is also sometimes a considerable interval of time during which the document is being drawn and approved and there are many chances, indeed, for the lessor and lessee to get so hopelessly apart that they cannot be reconciled, which reconciliation would certainly be effected if the parties had signed a preliminary agreement.

One reason why it is sometimes difficult to get the parties to a long term lease to sign an agreement to execute a lease, is the entire unfamiliarity of both lessor and lessee with the conditions of long term leases. If it were possible to more or less standardize long term leases, much of the difficulty might be overcome. In cities where long term leases are quite common, it is much easier to get the parties to sign a preliminary agreement than where such documents are little known. The tendency of some members of the legal profession to write involved leases makes comprehension of such documents somewhat difficult at best and many a rosy deal, in the eyes of a broker, has been hopelessly wrecked over wrangling of attorneys who sometimes are comparatively unfamiliar with the operation they are seeking to direct, on behalf of their clients.

It must be left to the broker's judgment, in individual cases, as to whether he shall suggest a preliminary agreement or be content to submit the full draft of a lease to the parties concerned. If the broker has a thorough knowledge of the subject of leases, he can usually hold his own and pilot the operation through to port without much real difficulty.

It will usually be found necessary by a broker to take a specimen agreement and adapt it to the conditions which prevail in his own city. Rates of capitalization differ. Essential details will be found to be handled in radically different ways in different communities. These can be adjusted to meet the needs of the situation and a very creditable agreement provided that, once signed, will hold the parties in line until the complete deal is consummated and the lease is properly recorded.

A broker may avoid difficulty in a leasing transaction if he will submit the general form of a lease to each party and simply request that attorneys for the lessor and lessee go over the document to see that the interests of their respective clients are protected. It will be much more satisfactory for the clients and, there being a basis on which to negotiate, the matter will naturally be hastened to conclusion.

CHAPTER XIX.

APPRAISING LONG TERM LEASEHOLDS.

Earning power is generally the vital element of value in a long term leasehold.

If the land under lease is adequately improved and used by a responsible tenant, the problem will be simplified, for the appraisor can usually determine the net earning power of the property by taking the total income and deducting from it actual operating expenses, including fixed charges, and a suitable amortization figure which will provide for wiping out the investment at the time the lease expires, or in accordance with the life of the improvements. If, before the property has been improved, it has taken a sharp turn upward in value, it may be necessary to estimate both the value of adequate improvements and their probable income.

A property, whether held in fee simple or as a leasehold, is usually worth what it will earn, the net amount of earnings being capitalized at the rate of interest prevailing at the time and place the lease is appraised. That percentage is usually six, but fluctuates up and down, according to the price of money, and other market conditions, such as the demand for that particular type of investment. The percentage is also effected by the desirability of the location of the property, and by the reputation of the lessee. Consideration must be given to the character of the written lease, particularly as to the protection it assures the lessor, in addition to the value of the land. By that is meant, the stipulations for the construction and maintenance of buildings, their insurance, and the various features that have been discussed in preceding chapters. The laxity or special severity of such protective features, may lower or raise the desirability of the particular fee, and so effect the percentage to be used. Merely because a person owns a leasehold on which the ground value has risen substantially is no indication that the leasehold necessarily has a greatly increased value. It is worth, generally speaking, what the property will earn when suitably improved with an adequate building.

The value of a lease is the difference between burdens and benefits. The burden as to rental is known, and the burden as to taxes may be approximated. The cost of the building and the expenses of operation are known. Loss due to vacancies may be

COMMERCIAL BUILDING ON LEASED LAND

This $5,000,000 office, store and theatre building, in Cleveland, occupies several tracts of land held under long term lease. About half of the funds required for the erection of the structure were raised through a leasehold bond issue. It illustrates the magnitude of such operations now being promoted in some of the larger cities of the country, where land is improved under lease instead of being owned in fee simple.

approximated, but the rentals to be received are conjectural. It is this latter uncertain item that makes our appraisal difficult to accomplish. Likewise the market rate of money must be considered. This varies from year to year, the difference between a capitalization rate of 4 and 6, or 5 and 7½ per cent resulting in an increased value of 50 per cent.

The rate of capitalization and of percentage of earnings is important. It must be borne in mind that the rentals are supported by the best securities; that they are net after taxes have been paid. In other words, they rank with government bonds in that they are non-taxable as to the general property tax. It is probably for this reason that investors are willing to operate real estate with a net profit of 5, 6 or 7 per cent, after proper depreciation, operating costs and similar allowances are deducted, although more hazardous industrial and commercial investments may, for the time being, earn 7, 8 and 9 per cent.

Strictly speaking, to get at the value of a lease involves striking a balance of theoretical receipts and expenses for each present and prospective year of the lease and taking the present worth of future profits. In every appraisal of a ninety-nine year lease, or any lease, the term of which is fixed and not renewable, the following six factors must be considered in definitely calculating its worth:

1. Present value of land.
2. Present value of improvements.
3. Ground rental and unexpired term under original lease.
4. Income from total property—actual or probable.
5. Overhead expense—covering taxes, repairs, operating expenses, vacancy loss, etc., giving careful consideration to elements of risk and unforeseen contingencies.

6. Complete amortization of existing or required buildings. The amortization period must be contained in the remaining term of the lease, unless there is a lessor's purchase clause at the termination.

The most perplexing lease to appraise is one where adequate improvements have not been added to the land. The valuation of such a lease can perhaps be demonstrated best by a typical problem and its suggested answer.

THE PROBLEM

Assume the appraisal is of the present date. The land consists of a frontage of 100 feet and a depth of 200 feet on a paved thorofare rapidly developing into business. The present improvements consist of an old dwelling producing a revenue of $2,000 per year.

Rental terms of the lease are, $6,000 per year for the first five years, $7,000 per year for the second five years, and $8,000 per year for the remaining 89 years.

The lease is approximately four years old, and THE PROPERTY HAS INCREASED TO $150,000 IN VALUE, AS OF THIS DATE. The overhead expense (taxes, etc.) is $2,000 per year. It will thus be seen that the lease has one year to go on the lowest rental indicated, at which time it rises $1,000 per year for five years and then the maximum rental goes into effect.

SUGGESTED ANSWER

Consider the six factors necessary in appraising a 99 year lease:

1. Present value of land........................$150,000.00
2. Present value of improvements:—
   (In this problem, adequate improvements have not yet been made, as stated above, but it is assumed Lessee has furnished proper security and that the lease is safeguarded in all ordinary respects.)
3. Ground rent under original lease:—
   First five years......$6,000.00
   Second five years.... 7,000.00
   Remainder of term... 8,000.00
4. Income from leasehold (annual rental on house)...............$2,000.00
5. Overhead expense (taxes, etc.).... 2,000.00
   (Income from leasehold, and overhead expense being equal, no deductions or additions for these two factors are necessary in this solution.)
6. Amortization of present buildings.
   (Only old building now on land, normally property of Lessor, but at any rate disregarded in this problem, as stated above.)

SOLUTION

Present value of land ($150,000.00 which, using 6% as value of money at present appraisal, should call for rental per year of $9,000.00

Ground rent under original lease (5th year of first five year period).............. 6,000.00

Item 1. Rental saved during the 5th year..$3,000.00
Of this saving $2,000 will be for one year only, but balance of $1,000 saving will continue thru entire lease period, and will be included below in saving of $1,000 per year for 95 years. (See Item 3, below.)

Present worth (using Table 1, Addenda) of the saving or income of the $2,000 for one year (multiply by .943)........... $ 1,886.00

Value of land during second period (which we will estimate as of present value of $150,000), which, at 6%, should call for rental per year of...................$9,000.00

Ground rent under original lease (6th to 10th years) 7,000.00

Item 2. Rental saved per year during these 5 years $2,000.00

Of this saving $1,000 per year will be for this 5 year period only, but balance of $1,000 saving will continue thru entire lease period and will be included below in saving of $1,000 per year for 95 years. (See Item 3, below.)

Worth of this annual saving of $1,000 per year for five years (using Table 1) (multiply by 4.212).....................$4,212.00

However, this annual saving does not begin until beginning of 6th to 10th year period, or one year from this date. Therefore, present worth must be computed (using Table 2) (multiply by .9434) .... $ 3,886.81

Value of land during remaining 89 years estimated at present value $150,000, which at 6%, should call for rental per year of $9,000.00

Ground rent per year under original lease... 8,000.00

Item 3. Rental saved per year during remaining 89 years....................$1,000.00
—which, with $1,000 yearly saving noted in Items 1 and 2 above, totals annual saving of $1,000 for full unexpired term of lease from this date, or for 95 years (using Table 1) (multiply by 16.601) .... $ 16,601.00

TOTAL PRESENT DAY VALUE OF LEASEHOLD ESTATE ....$ 22,373.81

Where a lease is renewable forever, it naturally has a greater value than if for a term of only ninety-nine years. In a flat lease for only ninety-nine years, as the term of the lease begins to diminish its value is affected by its approaching termination. If the lease has run only a few years, its value may not be particularly affected and seldom need be considered.

To arrive at a possible method for appraising a flat lease, renewable forever, let the matter again be put in the form of a problem and a suggested answer.

THE PROBLEM

Assume that the date of this appraisal is as of the present time. The rental under the lease is $9,000 per year on a flat basis. The property consists of a frontage of 150 feet and a depth of 200 feet on a good downtown thorofare. The land has increased to $1,400 per foot front in the three year term the lease has been in existence. Thus, the total land value involved is $210.000. The building was erected two years ago at a cost of $300,000 and there has been only a slight depreciation, as it is a fireproof, reinforced concrete garage. It contains 90,000 square feet, is leased for ten years at sixty cents per square foot, or a total of $54,000 per year, tenant paying for repairs, cost of operation and insurance, but owner of leasehold paying taxes, which amount to $11,200 per year.

SUGGESTED ANSWER

It is found that the building is appropriate in character and location to the site, that it is well rented and carefully operated, and that its life is approximately fifty years. Also, that the commercial character of the neighborhood is permanently fixed as of the present time.

The problem is thus simplified, as the value of the leasehold is found to be unaffected by influences which would tend to detract from its security and stability as an investment.

GROSS INCOME	GROSS OUTGO	
$54,000.00	Ground rent	$ 9,000.00
	Taxes	11,200.00
	This year's depreciation	6,000.00
	Net income to capitalize	27,800.00
$54,000.00		$54,000.00

This net income of $27,800 capitalized, gives combined value of use of land and buildings:—

If going rate of money for this class of investment is 5%	$556,000
If going rate of money for this class of investment is 6%	463,333
If going rate of money for this class of investment is 7%	397,142

From this aggregate amount must be deducted the present market value of land. Considering money worth 6%, the net value of leasehold will be:—

Combined value of property capitalized at 6% above	$463,333
Present market value of land	210,000
Actual net value of leasehold estate (including value of building, use of land, etc., under present sub-lease) is	$253,333

From this appraisal, it is very apparent that the sixty cent per foot rental derived from sub-lease is inadequate for proper return on Lessee's investment, for, as this leasehold's whole value is in its earning power, the present appraisal shows total value of leasehold estate of only $253,333, which includes building cost of $300,000, less two year's depreciation at 2%, or present physical value of $288,000. Thus, an obvious shrinking of value of $288,000 minus $253,333, or $34,667. Therefore, income is 6% of $34,667 (or $2,080) per year less than it should be to return even 6% net on investment. Few investors would be satisfied with this showing, as they would expect a net return higher than 6%, to allow for vacancies and contingencies. A rent of 62½ cents per square foot would return an exact 6% on this investment.

If the future rental income, taxes or other factors are apt to vary from year to year, the loss or gain should be capitalized and added or deducted to or from the above sum as the case may be.

(Note: The reverse of the above method of calculation would serve as a valuable check in establishing net and, therefore, gross incomes sufficient to carry Lessee's investment, in improvements, etc., under his lease, and may be carried back still further to determine type and cost of his buildings, adapting it to furnish the highest net income producing structures demanded in the particular location of his leased land.)

No group of men in the United States has given greater attention to the appraising of long term leaseholds than the valuation committee of The Cleveland Real Estate Board. In a circular descriptive of the work of the committee the following reference is made to the methods of appraising leaseholds:

> "Three interests found in long term leases subject to flat, scaled, or reappraisal ground rents, according to the particular lease under consideration, are:
>
> 1. Fee value subject to long term lease.
>
> 2. Any leasehold interest lying between the fee ownership and the final active sub-lease, such being known as a sandwich lease.
>
> 3. The active leasehold interest.

In considering any appraisal problem in connection with long term leases, it must be borne in mind that there is such a wide variation in the terms and conditions of all leases that rules of a very general character only can be laid down for this work. Each lease must be carefully studied on its own merits as its various terms and conditions will affect the factors entering into the final valuation. The suggestions made below are based upon present rates of interest in Cleveland:

> "Fees subject to long term leases are usually appraised at the capitalized value of the ground rent, on a 6% basis. If the lease be graded, the various steps are capitalized at 6%, and reduced to their present worth by the Robinsonian interest tables, usually at a rate of from 8% to 10%, as the future rents are prospective. In any event the capitalized value of the ground rent must not exceed the present normal worth of the property, without respect to the lease.
>
> "Any leasehold interest lying between the fee ownership and the final active sub-lease, known as a sandwich lease, is considered less desirable than the underlying fee as an income producing investment, and may be considered equivalent to a second mortgage, while the fee would be equivalent to the first mortgage. A sandwich lease provides an annual income without possibility of increment, and has the obligations of the lease as a liability. There-

fore, the usual rate of capitalization of a sandwich lease is from 7% to 10%, and even 12%, depending upon the security, obligations and other conditions of the subsequent sub-lease.

"Example:—A property is leased at $6,000 per year flat, for ninety-nine years, not renewable; then subsequently leased at $8,000 per year, sub-leased a second time at $10,000 per year, and now is under a third sub-lease at $12,000 per year. We may be asked to appraise either the sandwich lease calling for $8,000 per year ground rent, or $10,000. The value of the interest of the holder of the $8,000 sandwich lease would be the capital value of the increased rent which he receives from the next LESSEE or $2,000 per year, capitalized at 7%, gives the value $28,570. However, if the property is not advantageously situated, or the conditions of the lease are not satisfactory, the higher rates of capitalization must be used. Since this lease is not renewable, an amortization fund must be deducted from the $28,570 value. This fund will be a sum which, with compound interest at 3% or 3½%, will amortize the value of this leasehold interest during the remainder of the lease.

"If the lease were renewable, no amortization fund would be required. If one or more of the leases were graded, it would be necessary to take the various steps of increased rental, capitalize same, and then reduce the capitalized value to present worth.

"The present active leasehold interest is usually appraised as the difference between the present value of the property and the ground rent capitalized at a minimum percentage of 6%, the rate depending upon the character and location of the property, and also upon the ratio between the leasehold equity and gross property value. If buildings are included in the leased premises, their rental should be capitalized at from 10% to 15%.

"In considering each of the above types of appraisal in connection with ninety-nine year leases, the final items to determine in every case are that the terms of the lease give satisfactory security, that the improvements are adequate and that the present gross and net rental value of the property will provide an adequate return on the interest which is being appraised. In some classes of property in Cleveland, this may be as low as 5% on the land, and 10% on the building value, increasing for both land

and building value as the class of property is less desirable."

One appraisal authority, who has made an extensive study of valuation methods, has offered a solution to the problem of appraising a flat ninety-nine year lease, as follows:

"The value of a flat ninety-nine year leasehold, when the lease has run for several years, is somewhat less, say 10%, than the present value of the property minus the valuation upon which the lease was originally made. If a building has been erected, its present value should be added and the final result modified by the factors of capitalized income, future for the property, depreciation, whether the improvement is adequate for the site, etc. Unless the improvement is entirely inadequate, the capitalized net earning will usually be the controlling factor.

Many leases do not provide for renewal, or if they do, it is at rents to be then fixed by arbitration. In such case, the leasehold value entirely disappears upon the expiration date, and such a lease is obviously worth less than the ones mentioned above. Such leases are calculated in the same manner as above, with the deduction of an amount, which if used as a sinking fund, will upon the expiration date, have accumulated to an amount equal to the leasehold value as first calculated.

The matter of needing judgment, however, is upon what rate of interest one can feel safe in calculating over a long term of years, for it must be assumed that the fund will accumulate automatically without attention or risk. In Cleveland, where savings banks have for many years paid 4%, and where there is a large mutual Society for Savings which acts as a balance upon interest rates and apparently will serve to maintain a rate of approximately 4%, the rate of 3% is suggested in calculating this fund.

The rate to be used will vary, however, with local conditions in various communities, but in determining the rate, consideration should be given both to local and general interest rates, for after all, local rates are influenced by the money rates in money centers.

The 4% current rate is reduced in these calculations to 3% as a matter of safety, for it is recognized that regardless of local practices, financial circumstances outside of any city may combine to lower the rate.

Example—Given a three story store and apartment building, ten years old, built on land held under a twenty-five year flat rental lease. To find value of building and leasehold:

Solution—By determining present value of land and of building, and net rental income from the property, allowing for vacancies, repairs, operating expense and depreciation, the net income is found to be $2400 per year and this income may be reasonably assumed for the remainder of the term of the lease. Say 8% net income is required.

Present worth of this income of $2400 per year for 15 years at 8% (using Table 1) gives apparent value of building and leasehold (multiply by 8.559)	$20,541.00
However, as this leasehold value will totally disappear at the termination of the lease (reverting then to Lessor) it is necessary to deduct, as a sinking fund, an amount which will, at the expiration date, accumulate to an amount equal to this present day value. In this calculation, only 3% can be used safely as an interest rate.	
Sinking fund today, at 3%, to equal principal sum in 15 years (Table 2—multiply $20,541 by .64186)	13,184.44
ACTUAL NET VALUE OF LEASEHOLD TODAY	$ 7,356.56

Another broker who before specializing in the making of ninety-nine year leases was for a number of years an expert accountant, offers the following method for appraising a ninety-nine year leasehold:

1st. Determine the present value of the land.

2nd. Determine the present value of the improvements.

Due consideration should be given in arriving at the value of the improvements to the following questions:

(a) Is the building of a character to warrant standing thruout the life of the amortization period, based upon a reasonable depreciation charge?

(b) Is there any possibility of the income declining during amortization period?

(c) Is there any possibility of the maintenance charge either increasing or declining during amortization period?

(d) Is the trend of business such that a reasonable forecast can be made justifying the expectancy of fairly definite higher rentals during the life of the amortization period?

(e) Has the building a continued value after the amortization period?

(f) Can the building be altered at comparatively small expense to further increase the income?

(g) Will there be sufficient time remaining in the lease term to warrant erecting a new building after the period of amortization of the existing building on the premises ends?

3rd. The terminating clause is one of the most important factors in arriving at the value of a leasehold.

(a) A lease renewable forever is practically equivalent to the ownership of the fee.

(b) A 99 year lease renewable for another 99 years, or possibly a second 99 years, in a very valuable location, naturally takes on a greater value than a 99 year lease not renewable.

(c) In a 99 year lease not renewable, a provision that the Lessor has to pay Lessee for improvements or share thereafter in the ownership of the property as their interests may appear, increases the value of such a lease over one in which the Lessee enjoys no such benefit.

(d) If the remaining period of the 99 year lease is comparatively brief, then very careful consideration should be given to the terminating clause and the life of the improvement and particularly to the dependability of the income from the improvements.

(e) An option to buy the fee is always an important factor.

4th. Too much care cannot be given to forecasting the permanency of the rent producing qualities of the neighborhood. Property well located, bringing in an assured abnormal income, is bound to enhance the value of the property in question as compared to an adjoining piece improved with a poor revenue producer. There can be no question but that the value is increased over and beyond the natural value of the land plus the replacement value of improvements less usual depreciation when the property is tenanted with responsible tenants paying rentals that bring in abnormal return on the investment.

5th. Obtain the value of the land from the lease by:

(a) If a straight lease: by capitalizing ground rental at the prevailing rate of interest. (The rate in most cities is generally accepted as 6%.)

(b) If a graded lease: Capitalize ground rental for last period at the prevailing rate of interest and subtract this result from value arrived at under No. 1, and to this difference add present worth of the aggregate yearly rental savings based on the lesser rentals to be paid in the unexpired period before getting into the last period of rental.

(c) A situation may arise in a graded lease that one can reasonably forecast values that will at least equal, if not exceed value showing in last period of rental. Assuming that you cannot forecast a value greater for last period than the capitalized value of the lease rental at 6%, yet the lease still might have value due to the fact that the rental periods of the lease might be so low that the recognized profits for this period could be capitalized and the present worth found.

(d) If a purchase clause is in the lease, it should be given proper consideration especially so if it is a step-up lease and carries step-up options to buy. Use first step-up option to buy that is still good. Due allowance should be made in arriving at present worth of the rental saving (if there is any) prior to such option to buy.

6th. Deduct from the present value of the property to the Lessee as arrived at by a careful consideration of the first four sections, the value of the land as provided for in Section 5 and you have the present worth of the leasehold estate.

7th. In the case of a reappraisal lease, careful consideration should be given as to the rate of interest used in arriving at rentals in the lease and whether or not there is any limit to the rental. It can be assumed that if property is well located, it can always be leased at the going rate of interest which may be one or more per cent higher than rate in the lease. Whatever such difference is in money could be capitalized at the going rate of interest to arrive at its present worth in money. Caution should be taken not to be too optimistic in forecasting the future value of money as well as property. It is reasonable to allow a fair present worth value to an anticipated rise in the value of the fee which is clearly evident from the trend of commercial growth and the logical increase of foot travel, with due consideration being given to other factors that tend to raise the value of the fee.

Where the value of land is periodically appraised, the value of the lease is the difference between the burdens and benefits thereof, for the balance of the re-appraisal period. If, for example, the lessee's net income, after payment of all prospective burdens, estimated for the balance of the re-appraisal period of 10 years of a 99 year term, is $10,000 in one year, $12,000 in two years, $14,000 in three years it would be necessary to take the present worth of the income for each of said years, the total being the value of the lease to which must be added the probable value of the building at the end of each re-appraisal period. Theoretically, the land is appraised periodically at what it is actually worth. Therefore, the lessee enjoys no equity of land value except his prospective profit in the rental of his building for the unexpired portion of his re-appraisal period, plus the building's physical value.

While with the foregoing method one may properly appraise a re-appraisal lease calling for a rental on a re-appraisal value at a per cent identical with the market rate of money at the time of the appraisal, some variation must be made for re-appraisal leases on a lower or higher per cent than the existing money market calls for. For example, if the re-appraisal lease calls for 4% and the market value of money now and henceforth may be regarded as worth 6%, manifestly a profit will accrue to the tenant, yearly over and above what may be in sight, to the maturing re-appraisal date. In such case the re-appraisal value as of 1921, of a 99 year lease on a property worth $300,000 in 1920, executed in January, 1910, with twenty year re-appraisals would involve a probable profit at the coming 1930 re-appraisal of 2% on $300,000 per year, or $6,000 each year until 1930. The present worth of this yearly saving or income computed would be by the use of present worth of annual saving table (Table 1, Addenda). This yearly saving of $6,000 we can calculate at 6%, as we have taken that to be going rate of money thru this period.

$6,000 at 6%, for remaining 9 years (multiply by 6.802)

PRESENT VALUE OF THIS INCREMENT TO LEASEHOLD IN 9 YEARS..............................$40,812.00

While it is obviously possible to calculate the probable profit derived from this interest saving beyond the next re-appraisal date, it is manifestly difficult to fix definitely the interest rate beyond such date, as the future re-appraisals will, as intended originally, bring about an entirely new deal at the end of each period. Practically, such saving should be calculated to next re-appraisal date only, altho leasehold practices have not yet been sufficiently standardized for an absolute rule in this regard. It is largely a matter of local practice, and will probably vary both in localities and in time. It is also possible that leases made at such a low interest rental, extending for such distant future periods, too far removed from the time of making the lease as to be intelligently calculated, will be held to be too burdensome to one of the two parties, and so altered, either in the interest rate charged or by increasing the land values to offset this unfair differential.

With a fluctuating money market, it is evident that the value of the lease also fluctuates. If, for example, the lease is executed on a 6% basis and the money market hereafter should be regarded as fairly static at 4% or 5%, it will be noticed that the lease will probably become a burden at such future re-appraisal time. It accordingly would have to be capitalized and deducted from any profit or value it might show in yearly net income being realized until such maturing re-appraisal date.

An expert on rental values, in commenting upon the value of a ninety-nine year lease has these pertinent observations to make:

"The first point to scrutinize in a long term lease is its cash value or present worth. The answer which an actuary would give would often prove a surprise. Large future payments shrink into present day insignificance. Compound interest rolls up like the proverbial snowball and unwinds in the same startling manner. Many a lease which has seemed advantageous, when carefully analyzed, has proved so unbalanced that it has been a liability instead of an asset. Care must be taken in estimating the element of deterioration which arises not only from the material used but also obsolesence, lack of conveniences, and unfitness for changed methods of business. While in a city as a whole there may be little reason in values, yet in individual cases, one cannot fail to recognize the dusty fingerprints of Father Time.

"A matter which may prove a stumbling block is the unbalancing of the payments in such a way that the tenant may attempt to void his lease. Land values change, due to an increase or decrease in population, or to the movement of a particular business for which certain improvements were intended. The value of land may change due to the shifting of the business center of a city. Finally there are what we may call the 'top heavy premises.' There is a given ratio between the value of land and of improvements. Where there is great deviation from this ratio the premises as a whole are possibly not worth the sum of their parts. Only keen students of real estate can say what is a fair rental for such premises. The improvements may have a physical value of 100 per cent and yet be worth only 25 per cent in commercial utility."

The above examples are but a few of the many circumstances which arise, and while they are typical of the most ordinary forms of leases, and cover the most frequent problems, yet they really represent only the extremes. In the problems which lie between them, the appraiser must depend upon his judgment, and frequently it requires knowledge of the market value of money, as much or more, than the value of real property.

There is one definite rule which applies to the appraisal of all leaseholds, and it is:—

First. Carefully inspect the property.
Second. Study the lease with as great care as tho you were a party to it.
Third. Again inspect the property,

and remember that the factors from which most of the calculations are to be made, are found within the documentary lease.

CHAPTER XX.

WHO SHALL WRITE THE LEASE?

A problem faced in connection with the execution of a long term lease is the selecting of a proper person to compile the instrument.

Who shall write the lease?

In cities where there are competent lawyers who specialize in the preparation of leases, the problem is sometimes easily solved, for one can be readily chosen to do the work. He must be, preferably, a specialist in the law of real estate and contracts and thoroughly familiar with any special state laws governing the leasing or transfer of real property. Merely because a man has passed a bar examination does not necessarily qualify him to write such a technical document as the average ninety-nine year lease usually proves to be. He must be of excellent judgment, one who is absolutely fair minded and willing to produce an instrument which both parties will subscribe to. An inexperienced attorney, or one not qualified by the nature of his practice, should be avoided.

The ablest lawyers who have specialized in leases, however, all have their own ideas and methods. Some evolve long wordy documents containing many repetitions and seek to cover every imaginable contingency liable to occur in the century term, while others are willing and able to produce leases which are simply and concisely worded and which serve the purpose for expressing the agreements which must be placed in a permanent record intended to control the destiny, perhaps forever, of the property involved.

It is generally agreed that the simpler the form of the lease, providing the important features are covered, the better. A long term lease is not a document in which to try out new or novel experiments, for they may not work, so it is well to abide by well established precedents and usage and to employ only those ideas which apparently have been worked out successfully in other leases.

Some brokers, no matter how well informed, do not care to assume the work and responsibility of writing the lease itself, tho quite willing to give from their store of knowledge and experience concerning the subject, many helpful suggestions. If the broker has a thoro legal training or has had extensive experience in the study and preparation of long term leases, he may well be trusted to write a long term lease, for he probably knows more about the matter than the average attorney and in addition is familiar with the conditions of the property and the attitude of both parties concerned. The broker can at least prepare the first draft for submission to the attorneys for lessor and lessee, for addition or revision.

Just whether the attorney for the lessee or the lessor should draw the lease is debatable. In either event, a lawyer representing the opposite side should scrutinize the document, for a lease is a fertile field for "sleepers" or clauses having a double or hidden meaning and no document which is not absolutely fair to both parties should be tolerated. Once the lease is signed, it is final, unless a court chooses to release the aggrieved party because an apparent fraud has been perpetrated, and this may be difficult to prove.

Some lawyers, by the very nature of their business training have a habit of producing involved, technical documents in which they seek to cover the requirements of the case. An effort should be made to avoid a too technically worded lease. Facts should be stated clearly thruout, describing fully and carefully the various covenants to be agreed upon.

Unfair leases are sometimes inflicted upon lessees because of the desire of the attorney representing the lessor to have every possible contingency which may be met with during the term of the lease fully covered. A lawyer showing such a disposition may insist on the insertion of burdensome conditions which are unreasonable and frequently unnecessary. Often a lessee withdraws in disgust from a deal because of the attitude of the lessor or his lawyer who insist on unreasonable conditions. Any lawyer who becomes competent in producing well written leases will have his name and fame spread abroad and be given enough business to develop him into the expert he is bound to become.

No matter how much care is taken to provide a standard form of ninety-nine year lease, it will always be found that it will be necessary to draft provisions peculiar to each individual property and the so-called standard form can simply be used as a model in each case. It is seldom, indeed, that any lease can be used again in exactly the same form and it is well for a lawyer or broker who engages in the writing or making of long term leases to become a close student of the subject and accumulate as many forms as possible, for use at a time when reference to them may become necessary, though making a practice of following a more or less standard form in each lease written.

In some of the larger cities eminent lawyers making a specialty of writing leases maintain a regular book of lease forms. It is divided into different sections dealing with specific features to be covered. Different wordings of clauses are carefully classified and preserved and used as the occasion may arise. As many as a dozen different forms may be found dealing with one subject, such for instance, as the disposition of buildings at the end of a term.

Unless great care is taken in the preparation of the lease itself, much trouble may ultimately ensue. Indeed, there are some very able lawyers who are of the belief that some decades hence, when some of the long term leases executed in recent years are about to expire, there will be extensive litigation created thru an effort to interpret many of the leases which have been executed without due care. It, therefore, behooves all parties concerned to exercise care and exactitude in the preparation of the instrument which is to have such a powerful influence over estates in the years to come.

Owing to the fact that all lawyers, however capable they may be in their own fields, are not always competent to draw ninety-nine year leases, neither a lessor or lessee should always depend upon the submission of the document to his own personal attorney. Inexperienced lawyers, securing their knowledge of a new situation at the expense of their clients, do much to defeat the work of the honest, conscientious broker and the latter should insist that only such attorneys as are fitted to do so. should be parties to their deals. When such a condition is explained to a lessor or lessee, he will usually agree to employ the right sort of a legal advisor to protect himself in the transaction, which may mean so much to him in later years.

By the same token real estate men who are not familiar with the theory and practice of making long term leases should abstain from attempting to make as complicated a deal as the execution of a ninety-nine year lease until by study and familiarity with the subject they properly equip themselves to become capable of advising both lessor and lessee as to the wisdom and fairness of all the conditions which are sought to be imposed.

It does not pay to employ a cheap, incompetent attorney any more than it does to engage an inexperienced real estate broker of loose methods and doubtful ethics. This branch of the business, above all others, calls for the very best talent available and the compensation afforded, should result in the application of the best and ablest brains available. It is no mean distinction to be a realtor or lawyer who is looked upon as an authority in this complicated branch of the real estate business. The same general high grade standard of ethics which governs the work of the leading realtors and lawyers of the country should be applied to this important work.

In connection with any discussion as to "Who shall write the lease" the very pertinent question arises as to "How shall it be written." This refers to the mechanical features of actually typewriting or printing the lease document itself. Most leases, naturally, are typewritten, three copies being furnished, one for the lessor, one for the broker negotiating the lease, and the third for the use of the recorder, which is returned to the lessee who files it for record.

In such an important document as a lease great care should be taken to keep all the facts intact. Some experts believe that a document presuming to be in existence and used on frequent occasions over such a long period as ninety-nine years or in many cases forever should be prepared in a most substantial manner. True, it is recorded, but such records have often been destroyed by fire. Furthermore, they are not always reliable and sometimes whole pages disappear from public books of record. What would happen, for instance, if a whole page disappeared containing reference to the renewal clause of a lease?

The safest way, probably, is to print the lease, using somewhat unusual type. Another method which has been used has been to inscribe the original lease in longhand, using India ink, which was later lithographed on parchment paper, using two sides of a sheet. Then after a stated number of copies, say eight or nine, had been struck off, the stones were destroyed. A number of such lease forms are in existence but necessarily their preparation was rather expensive. In any event great care should be exercised to see that good paper and ink are used in the preparation of such important documents.

CHAPTER XXI.

LEGAL ASPECTS OF A LONG TERM LEASE.

Due to the almost unlimited scope of the subject, it is possible to review the legal aspects of a long term lease in only the most general way.

A lease for more than three years must be in writing, signed by the lessor, and acknowledged in the presence of two witnesses and a notary public. Since most long term leases give to the lessor the right of lien on the leasehold for unpaid rent and other similar rights, the lease should likewise be signed by the lessee and witnessed and acknowledged.

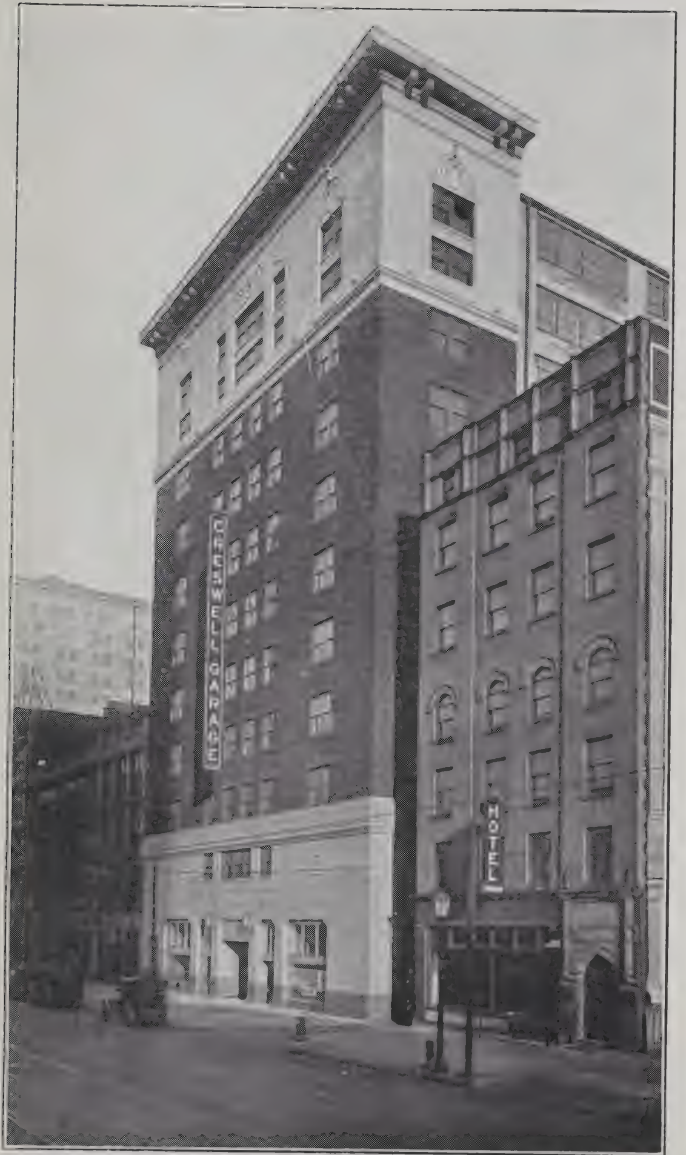
The lessee usually covenants to pay all taxes and assessments levied against the property leased, but would be under no obligation to make such payment unless it was expressly provided for in the lease.

Rental is usually stipulated to be paid in gold, or its equivalent in value. The vicissitudes of the readjustment period after the war and the constant shifting in international credit have emphasized the importance of this provision in a lease which is intended to cover a century or more.

The place of payment of the rent should be indicated with care, as the interest of the lessor may eventually be held by a score or more of heirs. It is therefore often provided that the rental shall be paid to some bank or trust company located in the city in which the leased property is situated, with the privilege on the part of the lessor to designate another depository in the same city. There is, also, usually a provision that when the interest of the original lessor is held by more than one person, a majority in number of those having ownership in the fee shall control the place of payment.

A similar provision is usually made concerning the place for the giving of notices required under the lease, namely, for the exercise of the option of purchase, the extension of the lease for a renewal term, etc.

A covenant on the part of the lessee to protect the lessor from all suits for damages sustained on the premises is important, as one injured on the premises often attempts to sue both the lessor and lessee, on the ground that the lessor has permitted a nuisance or a dangerous condition to exist on the premises.



GARAGE AND HOTEL ON LEASED LAND

Buildings for any purpose can be erected on land leased for a long term. Here, side by side, on a downtown city street, are an eleven story fireproof garage and a 150 room hotel, both of which have the advantage of being able to simply pay rent for the use of the ground they occupy. The garage was built with money secured from the sale of an issue of leasehold bonds. Many such garage enterprises are under way or contemplated in larger American cities, particularly where the automobile parking problem is becoming acute.

A provision against the unlawful use of the premises is necessary to safeguard the lessee from an assessment of a fine in those states in which there are laws making the fee of the property liable for all fines assessed if premises are used for the illegal sale of liquor, the maintenance of a bawdy house or other illegal uses.

Probably a lessor is not liable for the payment of materialmen and laborers having claims incurred in the construction of a building on leased land. In other words, a mechanic's lien filed on such a building probably attaches only to the leasehold and not to the fee. However, since the lease usually contains a covenant requiring the lessee to construct the building, there is a possibility that a court might hold that a mechanic's lien attached to the fee. This point has not been adjudicated in all states. It is therefore well to require the giving of a bond by the lessee before beginning the construction of a building, conditioned to protect the lessor against all claims for material and labor incurred in the construction of the building, and to insure the lessor that the building will be fully paid for.

Where the lessee is a man of extraordinary financial responsibility, the requirement of a bond is sometimes omitted. Often securities or cash are deposited with a trust company in lieu of a surety bond, the income being paid to the lessee.

Since the insurance clause requires the maintenance of insurance policies for the mutual protection of all parties and the reconstruction, within a reasonable period, of any buildings destroyed, it is always well to designate a trust company or bank as a trustee for insurance, since the long term of the lease makes it entirely inadvisable to designate an individual to act in this capacity.

A provision requiring the reconstruction of a building in case of fire is not sufficient. There should be a further provision requiring the reconstruction of a building in case of damage or destruction from causes other than fire.

Many leases provide for a reappraisal at the end of the original period and a new term for one or more like periods, at a rental based upon five or six per cent of the reappraised value. However, this is not a legal necessity. If nothing is stated in the lease as to a continuation of the lease beyond the original term, the lease comes to a conclusion at the end of the period named in the lease and the buildings automatically become the sole property of the lessor. This forfeiture of building value usually leads the lessee to make some provision to safeguard himself as to the improvements at the end of the lease term. Many leases provide that if the lease is not renewed the lessor and the lessee shall become joint owners of the land and building, their respective interests being in the same ratio that the value of the land bears to the value of the building, the value of the land and the building being determined as separate items of arbitration.

Various provisions are usually inserted in long term leases providing for a forfeiture of the lease in event of the failure of the lessee to comply with all the covenants. Usually some period of grace is provided, before the lease can be forfeited for the nonpayment of rent and often a notice is required from the lessor to the lessee of the intention to forfeit the lease for a failure to comply with other covenants, such as the making of repairs, and the maintenance of the insurance. As a legal matter, the lessee has no period of grace in these matters unless one is expressly stipulated in the lease, but a court of equity will usually enjoin the lessor from forfeiting a lease because of a failure to comply with a covenant, on condition that the lessee at once comply with such covenant, and pay any damages or interest that have accrued after the default occurred.

There is nothing in law preventing the repeated assignment of a lease, unless there is a provision restricting assignment. Accordingly, there is usually inserted a covenant permitting the lessee to assign his interest after notice and service of a copy of the assignment upon the lessor. For the protection of the lessor, this provision should usually require, in the case of such assignment, that the assignee shall assume all the obligations of the lessee under the terms of the lease. However, in most states the assignee is liable to the lessor for rent stipulated in the lease, even though there is nothing in the assignment of the lease expressly making the assignee liable for the payment of rent to the lessor.

While it is customary to provide in short term leases that no assignment can be made without the consent of the lessor, such a provision is entirely inconsistent in a long term lease, since the bond or building (usually absent from a short time lease) is the primary security of the lessor and it makes little difference to him who becomes the holder of the lease, so long as he has a bond or building as security. Where a long term lease is given in reliance upon the personal responsibility of the lessee and contains no provision for a bond or building as security, there should certainly be a provision requiring such security to be given in the event of assignment, as the assignee may be financially irresponsible.

Where a bond or building is held as security for the performance of the lessee's covenants, there is usually a provision that the personal responsibility of the assignor shall cease upon the assignment of his interest and the assumption of his obligations by the assignee.

In making a sub-lease, the sub-lessor should be extremely careful that the terms of the sub-lease agree in every respect with the terms of the underlying lease. It is true that the sub-lessee is bound to accept the property subject to all of the terms and conditions of the original lease, but if the sub-lessor grants the property in the sub-lease without restricting it to the terms of the original lease, he may become legally liable to the sub-lessee for his failure to deliver to the sub-lessee the property free and clear of the restrictions and covenants in the original lease. In other words, if a sub-lease does not follow the terms of the underlying lease, the sub-lessee will nevertheless be bound by the underlying lease insofar as the use of the property is concerned, but he will have a right of action at law for breach of contract against his sub-lessor with respect to all those things connected with the use of the property which are permitted by the sub-lease but which are forbidden by the underlying lease.

In some states it is not necessary for a wife to join in signing a lease as dower interest is not always involved, but it is safer in every case, if possible, to have the wife sign the same as the husband.

There should be always two witnesses to the signing of a lease, and there should be the same number of witnesses in the making of a formal assignment of a lease.

Unless the terms of a lease specifically prohibit the mortgaging of the fee or leasehold, there is nothing to prevent the lessor mortgaging his fee interest, subject to the lease, and there is also nothing to prohibit the lessee from mortgaging his leasehold interest subject to the rights of the lessor. Therefore two sets of mortgages or trust deeds may be made against the same premises, one against the fee and the other against the leasehold, and securing entirely different debts.

When property is leased with a mortgage existing on the fee, a foreclosure of the mortgage will legally cancel the lease, unless the mortgage is definitely waived in favor of the lease. It is therefore always wise for a lessee to insist that any mortgage on the fee shall be expressly waived in favor of the lease, and such waiver is usually freely granted by the holder of the mortgage, since the lease usually increases the value of the fee and the security of the mortgage. From a legal standpoint the foreclosure of a mortgage on the leasehold in no way disturbs the ownership of the fee or any mortgage covering the fee only.

Since the provisions of a long term lease are so numerous and so much the subject of individual agreement between the lessor and lessee, it is difficult to make a satisfactory preliminary contract for lease, unless a blank form of lease is adopted as a basis for the proposed lease. Often this difficulty is avoided by stipulating the essential terms in the lease, and then providing that any difference between the parties is to be determined by arbitration, the arbitrators being named in the contract.

From a purely legal standpoint it is to be remembered that a long term lease does not differ from a lease of three years or more, except as its provisions are necessarily more or less voluminous in attempting to safeguard the parties under the widely changing conditions that may take place during the period of a century or more. As a matter of general counsel, in the making of long term leases, it is to be borne in mind that many of the chief causes of friction and disagreement between the lessor and lessee will probably arise in connection with developments totally unforeseen and unprovided for when the lease was made, and it is therefore well that the terms of the lease should be modeled on the basis of a broad and liberal policy, thus affording that freedom from rigidity that is necessary to make the terms of the lease adaptable to changing conditions that always occur during a long period of time.

CHAPTER XXII.

ADVANTAGES OF MAKING A LEASE RENEWABLE FOREVER.

In certain states there is a definite prohibition in law against long term leases being made for longer than ninety-nine years. California has such a law. In Ohio it is quite common for leases to be made for ninety-nine years, renewable forever, and those familiar with the subject declare that such a practice has definite advantages, as it permits of the classification of such a lease, for certain purposes, as real property, in contrast with straight ninety-nine year leases which in law, are regarded as personalty.

Leases renewable forever descend the same as estates in fee. In Ohio, Section 8597 of the General Code, provision is made that: "Permanent leasehold estates, renewable forever, shall be subject to the same law of descent as estates in fee are subject to by the provision of this chapter."

This means that where a lessee of a permanent leasehold, renewable forever, dies, the leasehold passes as real estate direct to the heirs and does not pass as personalty to the administrator. At common law leaseholds were considered personalty and passed to the personal representative of a lessee's estate. This Ohio statute changes the common law effecting permanent leasehold estates, renewable forever. However, a leasehold renewable forever, is not an estate of inheritance within the meaning of the dower act, so that it is unnecessary for a wife to join her husband in his deed of perpetual leasehold estate in order to pass a good title to the grantee, for the reason that she does not have dower therein (Oliver vs. Jones, 3 O. M. P. Reports Page 129 at 130). This is a lower court decision and the question has never been directly raised in the Supreme Court of Ohio although in the case of Abbott vs. Bosworth, 36 Ohio State, Page 505, the court held that in order to entitle a widow to dower in an equitable estate of her husband, he must have owned the estate at the time of his decease and further,—a ninety-nine year lease, renewable forever, defectively executed, gives the lessee an equitable title thereto. This would indicate that the Ohio Supreme Court, had the question been presented to it directly, would have held that a widow had dower in a permanent leasehold estate. In all events, it is advisable to foreclose the question in the assignment or sale of a permanent leasehold estate by the lessee thereunder by having the wife of the lessee join in a release of dower.

In 31 Ohio State, in the case of Taylor vs. DeVuse, Page 469, the court held that a lessor may maintain an action for rent against his lessee, on an express covenant to pay rent during the term contained in a lease for ninety-nine years and renewable forever, though the rent accrued after the lessee had assigned all his interest in the leasehold estate and after the lessor had accepted rent from the assignee of the term. However, in the particular ninety-nine year lease involved, there was no express covenant releasing the lessee in case of assignment. Therefore, under the law of Ohio, it is necessary for a lessee, in order to protect his position in case of assignment of his leasehold estate, to have incorporated in the lease a provision to the effect that in case of assignment an assumption on the part of the assignee of all terms and covenants of the lease relieves the lessee from any and all liabilities under the original lease.

In the case of the Village of St. Bernard vs. Kemper, 60 Ohio State 244, the Supreme Court held that:

> "The LESSEE in possession under a lease of real property for ninety-nine years, renewable forever, the property standing in his name for taxation, is so far the owner of such property as to authorize him to subscribe a petition for street improvements, and in such case the signature of the LESSOR to such petition is not required in order to authorize assessments against the corpus of such property."

Relative to the right of execution against property, the Ohio General Code, Section 11658, says:

> "Lands and tenements including vested interests therein, **permanent leasehold estates renewable forever,** and goods and chattels, not exempt by law, shall be subject to the payment of debts, and liable to be taken on execution and sold as hereinafter provided."

The case of the Village of St. Bernard vs. Kemper cited above held that perpetual leaseholds are subject to the liens of judgments, without levy for one year.

The effect of the Ohio General Code Section, which is first cited relative to permanent leasehold estates passing as realty, is of advantage to the heirs and to the estate of lessee, for the executor and administrator, providing that it is not necessary to sell lands to pay debts, is not entitled to charge the statutory fee against the leasehold interest as he would be if the leasehold interest were considered personalty passing through his hands as personal representative of the decedent. (See General Code, Section 10837.)

The Supreme Court of Ohio in the case of Rawson vs. Brown, decided 1922 and reported in 104 O. S. 537, held that a permanent leasehold estate is not a fee simple although under the Ohio statutes it has many of the instances thereof. The fee simple remains in the lessor, his heirs, devisees or assigns, and that the heirs and devisees of the lessor who are entitled to the rents accruing from time to time under a lease for ninety-nine years, renewable forever, are entitled to partition under the statutes of Ohio. An option to purchase included in such lease after twenty-five years is no obstacle to that right until the option is exercised. This, the court of last resort in Ohio, enunciates what has been considered by lawyers of the state as the law relative to permanent leaseholds.

CHAPTER XXIII.

SPECULATIVE LEASING CONDEMNED.

Leasing land for long periods, for purely speculative purposes is not advised unless the lessee intends to immediately improve the property with an adequate building, so that it can be of some practical service to the community. What is referred to more specifically is the practice followed by some speculators who are eager to take leases in the hope they can sell them for bonuses, or sub-lease at advantageous figures before the time arrives in which the lease stipulates that improvements must be provided.

Such speculators lend nothing to the development of a community and only collect a form of ransom as a reward for foresight in getting into a coming district a little ahead of the general market.

Leases, primarily, should be taken by individuals, or concerns, intending to improve the property and either use it for their own purposes, or hold for investment. Such operators build up a district and benefit it through their operations while the mere speculator does nothing but force up values on land he has done nothing to enhance.

Another pernicious sort of leasing that should be discountenanced, so far as long terms are concerned, is that of leasing land and buildings which are bringing in good returns in the way of current revenue. This is particularly true of apartment houses in some of the larger cities. No property, where the value is represented chiefly in the buildings, should be leased for ninety-nine years unless there is every possibility of the land increasing rapidly enough to at least equal the capitalized value of the rent when the existing improvements are ready to be removed.

Take a typical example in an ordinary city with a population of 500,000 or more. Assume there is a $10,000 lot located on a side street off a main artery. The location is ideal for an apartment house. Assume, further that a $90,000 apartment building is constructed thereon. On the latter valuation the total investment would be $100,000, which on a six per cent basis would lease for $6,000 per year. Such a building, let us assume, brings in a gross revenue of $12,000 per year. Carrying charges are $3,000, which is very low in most instances. Such a transaction, on the face of it, pays a profit to the lessee of $3,000 a year. The lessee, let us assume, puts up a $10,000 bond to pay his rent promptly and on this investment, plus the time taken to manage the property, he earns $3,000 a year. A plausible but misinformed broker might induce many a person to acquire such an investment.

But what really happens? Let us assume that the building at the time it is leased is between five and ten years of age. In from twenty to thirty years the building in all probability will be obsolete and its earning power greatly diminished. The land may in twenty years treble in value but that would be only $30,000 on which an annual rental of $6,000 is being charged. It needs no great vision to see that the lessee is going to void his lease, sacrifice his security and leave the lessor with a run down building on which it will be necessary to spend the $10,000 or more rehabilitating it in attempting to bring back its earning power.

Of course, if an apartment is on a main business street where the land will increase in value rapidly enough to take care of the depreciation of the building itself that is an entirely different matter and might be considered a fair investment.

The safe and proper thing to do when making a ninety-nine year lease where buildings are involved is to purchase the buildings outright and lease the land on its current market value. Where the increase of land value is only normal any other procedure is questionable. Leasing for long terms of apartment houses not located on streets having potential business possibilities should be carefully considered before being proceeded with purely from an income bearing standpoint. It is wiser for an owner of such a property to operate it himself than to turn it over to a possible speculator who will "milk it dry," surrender his bond and disappear.

Primarily the ninety-nine year lease is a vehicle which can be advantageously used in developing thoroughfares which are coming into commercial use. Indiscriminate use of it for other purposes should be very carefully considered before being proceeded with.

CHAPTER XXIV.

STANDARDIZING LONG TERM LEASES.

Although the practice of making leases is age old its adaptation to the needs of American cities is comparatively new. Furthermore, the kind of leases now being written differ materially from old leases of which there are so many in England. The modern American ninety-nine year lease is a much more elaborate and complicated document than any conceived up to twenty-five or thirty years ago and is constantly being refined and enlarged to care for new problems presenting themselves.

It is apparent that in the sporadic growth of leasing there has been little opportunity for consideration of ideas among those persons engaged in different cities in the negotiating and writing of such leases. Favored customs have sprung up and been adopted in one community which are entirely different or unknown in other cities. This often leads to confusion and unfairness to either one or both of the contracting parties.

Recognizing that through its medium the standardizing of leases could be best accomplished The National Association of Real Estate Boards in 1921 appointed a committee of prominent realtors to report on the feasibility of making standard throughout the country certain practices observed in the best leases. This committee after an exhaustive study of the subject made some interesting recommendations, urging realtors throughout the United States to incorporate the standards as fully as possible in negotiating new leases. The suggestions follow:

TYPE—So called flat leases are recommended, the yearly rental fixed being not in excess of the prevailing rate of interest, the lease rental to be regulated by the actual market value of the land. Reappraisal leases are not recommended.

TIME TO BUILD—Not later than ten years, where in the original condition of the property the improvements are inadequate.

BOND—A sum equal to not less than two, nor more than three, year's rental, plus the real estate taxes involved.

VALUE OF IMPROVEMENTS REQUIRED—The building clause should not require improvements amounting in value to more than five times the annual initial rental.

PURCHASE CLAUSE—A purchase clause should always be included, being a sum equal to the maximum capitalized rental between the tenth and the twentieth years.

TAXES—Lessee to pay all usual taxes, except lessor's federal income, inheritance, succession and profits taxes on rental received. Under no circumstances should a federal income tax be saddled on the lessee.

LOANING ON LEASEHOLDS—Banks and financial institutions are justified in loaning on leasehold estates to the extent of sixty per cent of the value of the improvements provided, plus sixty per cent of actual increment in the leasehold estate, when such increment exists, the increment being determined by competent appraisors familiar with valuing leaseholds.

RENEWAL OF LEASE—Leases, where state laws permit, should be made for ninety-nine years, renewable forever, on account of special advantages to the lessor in connection with tax and inheritance laws.

PAYMENT IN GOLD OR ITS EQUIVALENT—The lease should always specify that rentals are to be paid **in gold or its equivalent in value, or in lawful money of the United States of America.**

INSURANCE POLICIES DEPOSITED WITH TRUSTEE—All insurance policies on leased land should be deposited with a trustee, and not with the lessor, the trustee being charged with proper distribution of funds, according to terms stipulated in the lease, thus permitting speedy adjustments.

MORTGAGE WAIVER—A mortgage on land about to be placed under ninety-nine year lease should be waived by the holder, making the lease the first lien, thus making it possible to negotiate leases on reasonably encumbered property. The interest of the mortgagor is amply secured by having back of the fee holder a responsible lessee, bonded to improve the premises. Amortization of the loan should be provided for, at the time waiver is executed.

ASSIGNMENTS—Every lease should permit the lessee to assign his interests if he has properly observed all the covenants of the lease, and the new lessee assumes all the terms of the lease, the original lessee being relieved of further responsibility, rental being paid by the new lessee direct to the lessor or his agent. This would make perpetual leases as marketable as fees.

COMMISSIONS—The Cleveland Real Estate Board's method of figuring commissions on leases having proved fair and successful, other real estate boards are advised to adopt it, so a standardized schedule of commissions in different cities may be generally observed. The current rate used by any board for sales of fees is used in computing commissions in connection with this method.

CHAPTER XXV

SUGGESTIONS TO BROKERS.

It is as difficult to instruct a realtor how to engage in the making of long term leases as it is to outline in a few pages how to engage in the buying and selling of real estate generally. The business has so many ramifications which can be learned only in the school of practical experience that only a few suggestions will be offered concerning this phase of a business which is becoming important in many of the larger cities of the country and which promises eventually to be a standardized practice in all cities where land values assume proportions which make it more desirable to lease ground than to acquire it in fee simple.

A broker who hopes to engage in the making of long term leases must study the subject of leaseholds thoroughly and absorb the vital principles controlling it. He should carefully peruse copies of long term leases and become familiar with the phraseology and know the reason why each clause is employed. He must know when to add or reject a clause, according to the needs of a specific situation. No two leases are alike. Each is a problem unto itself, but the underlying principles are the same and it becomes the real estate man's duty, in conjunction with his attorney, to select the conditions best fitted for the protection of both lessee and lessor in each case and then embody them in a written instrument which becomes a binding contract covering a period of practically a century or extending indefinitely, when leases are made renewable forever.

A study of the general law of contracts doubtless proves beneficial and it is absolutely essential that a broker become more or less familiar with any special conditions existing in the state in which he resides, which effect the leasing of land for long terms. Some states have rather unusual laws limiting long time leases and these must be rigidly observed if the contract is to be legally binding.

In attempting to negotiate a long term lease, it will be necessary at the outset for the broker to fix upon a site which would make a suitable subject for such a long term lease. Corners at prominent street car intersections, where peak values often prevail, are usually the logical ones to go under lease first. Estates held for sentimental reasons in the built up business districts, but not properly improved, will offer another field for the broker to work on. Almost every city, when closely studied, will offer excellent locations where the long term leasehold principle may be applied.

The site once available, the owner must be approached and educated as to the advantage of leasing rather than selling his property. This is sometimes difficult, owing to the owner's lack of knowledge of the subject. Arguments must be advanced why he should lease his land and he must be won over.

The difficulty of finding a lessee usually is not as great as that of locating and educating a lessor, providing the property offered is fairly priced. Publicity as to the advantages of leasing property for a long term will be necessary for a time, at least until a few deals have been made and the practice definitely established in a community.

Sometimes an owner of valuable property wishes to erect a building, but cannot finance it. Upon suggestion, he may be willing to sell his land for a cash consideration and at once take back a long term lease on it, at its capitalized value, using the purchase money to erect at once a suitable improvement, to use for his own business. Deals of this sort are common and can be frequently negotiated without difficulty. This field offers advantages for the live broker to negotiate a transaction by getting such parties together, as such land fees properly encumbered with leases, are excellent investments eagerly sought by institutions. The actual valuation can be adjusted readily to the amount of money to be invested.

Infinite patience is often times needed in the conducting of successful negotiations leading up to the consummation of a ninety-nine year lease. There are many problems which must be thrashed out and definitely solved to the satisfaction of both parties concerned, but a persevering broker will not hesitate, for the reward involved is well worth while.

In executing a long term lease it is essential that an abstract or certificate of title be extended to date, showing definite ownership of the property in the lessor, just as it is necessary to establish ownership in the event of a sale. This operation can be going on at the same time the lease form is being drawn. The lease later appears as a prior lien and encumbrance on the lessor's property and is notice to the world that the equity of the owner has been transferred, as far as the use of the property is concerned, to a lessee. The ownership of the land involved, however, still rests in the name of the lessor and he is at liberty at any time to sell his fee, encumbered by the lease, which usually enhances the value of the fee, for such lands under long term lease are favorably considered for investment purposes by individuals and institutions.

The broker must familiarize himself with the mathematical problems of leasing. He must be able to accurately appraise the land which is going under lease, know how to capitalize its valuation, so the rental per year can be determined and must impress both lessor and lessee with the fact that he possesses a knowledge of the entire subject superior to theirs. Unless the broker is thoroughly familiar with the operation he is seeking to direct, he will soon dissipate the confidence of both parties who may abandon the transaction for fear they are entering into an operation which has not been thoroughly considered and, possibly, not regarded as a standardized part of the real estate business.

Absolute honesty and integrity on the part of a broker is necessary, if he is to be successful in negotiating long term leases. The lessor or owner must not be permitted to have a false or inflated idea of the value of his property, nor allowed to insist on unreasonable enhancements in value in the future, which may rob the lessee of the benefits of his bargain. On the other hand, the lessee must not be permitted to take advantage of the lessor and secure possession of a property for less than its real market worth, or without proper safeguards to the lessor. The broker should be the referee as to values. Failing this, he can often have the matter of values arbitrated by the appraisal committee of his real estate board, whose word should be final. The lessor should not be permitted to insert burdensome conditions in the lease, which may prevent the lessee from realizing a profit from his transaction or prevent him from financing his proposition when the time comes for the erection of new improvements. A broker who has not prestige in his community and who cannot be trusted to act fairly to both lessor and lessee cannot hope to make a success of this branch of the real estate business. The golden rule is as good a motto to adopt in leasing property as may be found.

Long term leases, once thoroughly understood by an intelligent, honest, aggressive and competent broker should prove a vehicle for the making of many profitable transactions and their study and execution should appeal strongly not only from the standpoint of profit, but also because a means is afforded for building up any growing community.

CHAPTER XXVI.

SHORT TERM LEASES.

Leases, except as to length of tenure, are remarkably alike in principle. They may be for one year or in perpetuity. The rights, privileges and obligations are the same, although when the term is a long one and the consideration important greater care is taken to carefully indicate the covenants entered into and explanations or elaborations provided that will enable a future generation to interpret the purposes of the lease document.

In most parts of the United States a verbal or oral lease for one year is binding in law, if proper proof is available concerning it. Most states require that all leases for a term longer than three years be written and properly witnessed.

Leases are used for a variety of purposes, the more common ones being for the renting of houses, apartments, stores, offices, markets, theaters, factory and commercial space, vacant land or basements for storage space, oil, gas and mineral rights, railroads, concession rights of various sorts, sign and bill board privileges, docks and piers, landing fields for aeroplanes, gasoline stations, pipe lines for oil, gas or water, poles for electric wires used for various purposes, sidewalk and window displays, and departmental sections in large stores.

Short term leases, which are simply contracts to rent certain premises, only differ in form as to the verbiage employed by those preparing the documents and the selection of definite stipulations which are to govern the occupancy of the premises. Usually a general form can be adapted to the needs of a variety of situations. Elsewhere will be found the general principles or essentials of a lease, which if followed will result in the composition of a form fitting almost any situation.

In the addenda in the back of this volume, will be found various forms of typical short term leases, which, if not covering the specific case in mind, can be easily revised to meet the demands of the persons wishing to enter into a formal contract, for, after all, a lease is nothing but a written form of contract between a landlord or lessor and a tenant or lessee.

In drafting a lease extreme care should be taken to observe state laws or local ordinances. These vary greatly and no general form can be drawn in a complete enough state to fit every situation. Knowledge of location and conditions is therefore essential in every case, though principles of usage are identical in almost every case.

For instance in apartment leases there are some states which permit the insertion of a chattel clause in which the lessee is denied the right to remove furniture and other possessions if in default in his rent. The landlord has the right, where such a law exists, to seize a tenant's goods and place them in storage until the tenant pays the rent due and a sum in addition sufficient to meet storage-cartage and other expenses.

In some cities office building leases provide that tenants must pay pro rata for electric light, while in store leases steam heat is charged for in a similar manner. Such leases frequently provide, also, that in the event of an increase in taxes during the term of the lease the tenant shall pay his share of such additional outlay.

In dwelling house leases the tenant agrees not to deface the walls with nails, screws or picture hooks, to keep the plumbing in repair, to repaint at stated intervals, repair the roof, mow the lawn if there is one, keep the sidewalks free of ice and snow, pay for the removal of ashes and garbage, insure plate glass, bear the expense of keeping drains clear or cesspools cleaned and a variety of other minor obligations.

In these modern days leases are absolute necessities in the management of property and if some of the terms are irksome it is often the fault of tenants who, as a class, are disinclined to observe carefully the reasonable requirements demanded in the upkeep of premises.

A lease, being a contract, permits a wide latitude in its operation. Courts have always been liberal in bestowing upon contracting parties the right to enter into agreements to do certain things, regardless of results or hardships. Such agreements, however, must not contain conditions which are either repugnant to the nature of the estate or against the policy of law, whether local, state or national.

An agreement to lease is quite different from a lease itself, though sometimes resembling it. It vests no legal rights in the premises in the would be tenant. In a lease certain rights are granted, to begin on a certain date of possession while an agreement to make a lease simply recites the conditions which may be incorporated in the document itself. In making an agreement every feature desired should be incorporated, otherwise difficulty may ensue when the lease itself is about to be executed. In more important leases, or long term leases, this defect can be cured by providing that an arbitrator shall settle points in dispute and permits him to finally draft the lease which must be accepted by both lessor and lessee.

No particular form of words in a short term lease is necessary to establish the relation of landlord and tenant but it is well to have the various agreements or covenants clearly and definitely expressed in writing. Even in short leases it is better to have them in written or printed form as endless trouble has ensued over attempts to establish or interpret verbal leases.

In most states there are companies publishing legal documents which make a business of printing a wide variety of lease forms, adaptable to almost every need. These are usually prepared by skillful persons who see to it that any legal peculiarities in effect in that locality are carefully observed. These printed forms are available in most of the larger book and stationery stores in the principal cities. For ordinary purposes these forms meet most requirements and as space is usually left for the writing in of special conditions their use is convenient and economical. It is manifestly impossible in a work of limited size such as this to attempt to incorporate a wide enough variety of forms to cover the entire country where state laws conflict in many instances.

Witnesses to a short term lease are not always necessary but usually it is better to include them as no difficulty can be caused by such a procedure and often such witnesses are useful in identifying signatures or individuals. This is particularly true when one party to a lease is unable to write his name and simply signs with a mark. A lease for less than three years, however, is usually valid when not witnessed.

Parties to a lease should sign it themselves. If this is impossible the absent one should be duly represented by an agent and that fact clearly indicated by the name of such representative being accompanied by the words "By his Agent." Agents, by the way, are personally liable when they do not disclose their principals. A lease for over three years must be signed by a principal or written authority should be given an agent to sign on a principal's behalf, or by later approval in writing on the lease of the action by the principal.

By cautious and intelligent use of the various forms in the addenda of this book almost any kind of a lease may be compiled, provided an exact form is not clearly available. It should be remembered that it is simply the purpose to indicate clearly and accurately the specific conditions which the contracting parties desire to preserve in written form. Any conceivable situation may be reduced to writing and incorporated, provided of course the agreement is legal, a matter which should be passed upon by a competent attorney if the question becomes one in dispute. Courts are eager to uphold the rights of contracting parties and a clearly expressed lease, if capable of definite interpretation, will usually stand any attack made upon it.

It should always be recognized, that difficulties of all kinds may be avoided if everything is definitely reduced to writing and the written agreement thoroughly understood by both parties consenting thereto.

CHAPTER XXVII.

CHARACTERISTIC FEATURES OF SHORT TERM LEASES.

General principles governing the writing and operation of a short term lease are the same as those controlling long leases, a review of which may be found in Chapter IX of this volume. There are a few fundamental differences, however, between these two forms of contract.

In a short term lease the owner or lessor usually pays taxes and insurance on the premises and generally takes care of the exterior of a building unless the lessee specifically agrees to do so.

The character of bond required is usually less stringent in a short term lease than in a long one and often consists of an amount equal to the last three or six months' rent, deposited with the landlord at the time the lease is executed, but applying on the rental for the last three or six months of the term of lease. Some difficulty having been found with this method, but the retention of the principle being desirable, a large eastern broker has evolved an interesting method for handling the matter, maintaining that the extra rent should be paid at the outset and not be made to apply on the last few months' rental. He thus avoids the necessity of making any adjustment of cash held as security. If the tenant defaults there are no liquidated damages, the lessor only having to take proper steps to repossess himself of his property.

Assume, for instance, that a lease begins January 1, 1923, and extends to December 31, 1932, and the rent is $1,000 per month. The lessor requires four months' rent as security and also the first month's rent in advance. Under this plan the lease would recite that there had been paid by the lessee to the lessor the sum of $4,996 as rent for the first month and that beginning February 1, 1923, the rent should be $1,000 until September 1, 1932, and that the rent from September 1, 1932 to December 31, 1932, shall be $1 per month.

Some leases are made where the lessee agrees to assume the payment of taxes, heat, water, insurance, etc. Provision can easily be made in the lease that these amounts are to be paid as additional rent. They can thus be collected as rent and payment enforced just as if the tenant was in arrears for rent instead of owing some additional sum for other purposes.

In short term leases, as in long ones, the lessee should not be required to pay inheritance or income taxes on the lessor's interest or income. Short term leases should likewise be free from any obligation on the part of the lessee to pay any state income tax as such a charge should be included in the rent.

A tenant taking a short term lease should be permitted to sub-lease only with the written consent of the lessor, otherwise the premises may fall into the hands of undesirable and irresponsible persons. A sub-lease should only be permitted if all of the covenants of the original lease have been fully observed. Likewise a lease containing a privilege of assignment should operate only when the lessor has given his written consent and the lessee has made good his lease in every way.

In short term leases the lessor or owner should seek every proper protection looking to the collection of his rent as the security usually given does not protect him to the extent that the lessor is protected in a long term lease where a substantial bond is posted, to be followed later by a building adequate to the property on which it is located.

If a lessee has added valuable improvements to a property and the lessor is secured by reason of these improvements, the lessee should always be permitted to assign a lease provided that when such permanent improvements have been made, such as new store fronts, permanent partitions, heating plants, mezzanines, etc., they shall remain the property of the lessor at the expiration of the lease. Many leases contain the provision that in regard to assignments "the consent of the lessor shall not be unreasonably withheld."

Despite the fact that many storekeepers have little property other than their stocks of goods and fixtures, there should be a provision in the lease that in the event litigation ensues over the possession of the premises or the payment of rent, the lessee shall indemnify the lessor as to legal and court costs involved in the prosecution of any case caused by differences which may arise between the lessor and the lessee. This is always made a provision in a long term lease.

All leases, should, of course, be for a definite duration of time and should not be permitted to run from term to term or year to year. In most states the law provides that when a lessee is permitted to stay over the term of his lease and the lessor accepts rent for the first month of the new term, the lease automatically renews itself if the lease is for a period of three years or less. This ensues whether a definite agreement has been made for a renewal of the lease or not and is binding on both parties. For instance, a lease on a store or apartment may be for one year, from July 1 of one year to June 30 of the next year. If the latter time comes around and the landlord accepts rental for July, the first month of the second year, the lease automatically renews itself for the same term as the original lease, whether the landlord approves or not. Familiarity with state law will indicate whether this is true in your state or not. The lease can never renew itself for a longer period than for the term of the original lease but may keep repeating year after year unless formal notice is given by the landlord or tenant that the lease is to be discontinued or resumed on a new rental basis.

With radically changing costs of operation, taxes, etc., which came about as the result of disturbed conditions due to the Great War, a new type of lease, used particularly in connection with the rental of loft and manufacturing property, has been evolved. This is known as the lease with primary and secondary rentals. The primary rental is a flat rate of a definite amount which continues throughout the life of the lease. The secondary rate varies with rising or falling costs. The primary rental is charged each month while the secondary rate, also collected each month, is subject to change with each quarter or year the lease remains in force. For instance, the primary rate may be sixty cents per square foot, in effect for the full term. The secondary rate, covering the expense of taxes, repairs, insurance, water, heat, etc., may be ten cents per square foot for one year, fourteen cents per square foot for the second year, perhaps dropping to eight cents per square foot for the third year, as costs of maintenance rise or diminish. The property owner thus secures a flat rate on his investment while the tenant shares the rise or fall in costs. This form of lease is usually accepted as fair by the lessee as he feels that he pays the going price and realizes that the landlord only demands and collects a fair rental return on his investment. A form of this lease appears in the addenda.

While long term leases contain a provision that the lease cannot be voided in case of a fire, short term leases usually recognize the right of a tenant to vacate if the premises are not again made habitable within a period of from thirty to ninety days. Rental ceases from the date of the fire and is resumed when the premises are turned over by the contractors repairing the same and are declared to be usable. The lessor, under such an arrangement, is not required to expend upon repairs a sum greater than that received from the insurance companies for the loss involved. If the premises are entirely destroyed the customary way is to cancel the lease at once. Insurance to the extent of eighty per cent of the insurable value of a building, above foundations, is usually specified in short term as well as long term leases.

In making a lease on a valuable property for a term of years, it is wise for the lessee to require the lessor to substantiate his right to grant a lease by providing an abstract or certificate of title, brought down to the date of the beginning of the lease term. The lessee is thus insured of quiet possession of premises which are really owned by the person or corporation granting the lease. This may not seem important in many instances, but where substantial improvements are contemplated the lessee feels safer in proceeding in the knowledge that he will not be dispossessed at a date earlier than the expiration of the lease.

State laws differ as to the matter of recording short term leases. In Ohio any lease over three years must be recorded to make it valid. The exception is of school or ministerial lands, as the period in such cases is ten years. In Maryland the time is seven years. If a lease in the latter state is for ten years, the owner may transfer the property and the lease, if not recorded, would terminate at the end of the seventh year. If a lease is on a property or space of any importance, it should be recorded anyway. This is generally done by the lessee to serve notice to the world that he holds possession of the premises for a specified time.

A sale of property is usually made subject to existing leases, otherwise the owner may become liable to the buyer for conveying property which is encumbered. The recording of a lease is constructive evidence to innocent purchasers that it is an incumbrance, and consequently will appear as such in an abstract or certificate of title to the property. If a lease is not of record when the law requires it to be litigation is often caused which might be avoided.

All states in the union have definite laws covering the tenure of real property. The up-to-date and careful realtor should be familiar with any special conditions in effect in the state in which he operates. Such familiarity will keep him clear of pitfalls into which the unwary sometimes fall.

CHAPTER XXVIII.

CHAIN STORE LEASING.

A development in retail business which has sprung up and flourished during the past few years has been the entrance, into the business life of the larger communities especially, of the "chain store." Such a store is really a branch of an organization which makes a business of marketing special lines of merchandise throughout single communities, or a large number of cities, maintaining one or more stores in each city for the purpose.

Among the principal lines of merchandise now sold by the chain store method are cigars, groceries, drugs, candy, teas and coffees, shoes, women's and men's clothing, automobiles, jewelry, pianos, ready to eat foods (restaurants), as well as five and ten cent stores.

It has been a significant evolution of American retail business that these chain stores often have driven from the main thoroughfares of large cities many of the old time store keepers who depended so much upon the personal contact with, and the good will of, customers. Keen business methods enable a chain store concern to pare prices to the bone and still render efficient service while making a reasonable profit. These methods are the basis of operation of such stores. They occupy the so-called "gold strip" along the leading business thoroughfares in every large city in America, often paying rentals that make the local merchants shudder with horror when discussing them. A very profitable business can be conducted by brokers in leasing chain stores in 100 per cent locations, as the chain store managers are always on the lookout for new business fields to conquer.

Chain stores seldom can be interested in anything less than the best and most expensive locations in town. This is not because they enjoy paying high rentals, but their fixed principle is not to establish a new store in a district which has not "arrived." It must have the peak of heaviest buying pedestrian traffic, which is often carefully counted or "clocked" before a lease is negotiated.

Ten year leases are favored, with options to renew, where possible to obtain, which is rather rare today. Longer leases are sometimes preferred, and occasionally a chain store concern will purchase a property outright, or lease for ninety-nine years. For the most part, however, leases of at least a decade are preferred. Chain store managers and brokers, however, are always wary of business changing its location. What may be a good location today may be "off color" a decade hence. Chain store concerns often negotiate leases with possession to be obtained several years hence.

Most chain stores are conducted on a "cash and carry" basis, which is one of the reasons why they do business cheaply and profitably while underselling their old fashioned competitors. They buy manufactured articles by carload lots instead of by the gross or smaller units, and have a turnover which is often astonishing. Due to rapid turnover, a customer is always assured of getting fresh, new, up-to-the-minute merchandise, whether it be food products, cigars, candy, or wearing apparel. Having a number of stores in one or many cities, there is often an advertising value attached to a company's name. Most chain stores spend comparatively small amounts in printed advertisements, preferring to depend upon attractive locations for trade. Different lines of business calculate they will attract a definite number of buyers from a given number of passers by, consequently location is the important element considered.

Each kind of business has its own peculiarities. Cigar and drug stores naturally gravitate to corners with heavy pedestrian traffic, for customers will dodge in and out with little difficulty, making purchases quickly and conveniently. Women's wear stores seek the shady side of the main street, other things being equal, while men's wear often will be sold on the sunny side of the same thoroughfare, or on adjoining side streets. Candy stores desire shady locations, due to the possible deterioration of goods in Summer. Five and ten cent stores want locations, if obtainable, between two large advertisers such as departments stores and are also attracted to stores having frontage on two or more main streets, which are rather rare. Five and ten cent stores require at least 4,000 square feet of space, with a window frontage of at least forty feet. Restaurants thrive in the neighborhoods of heavily populated office buildings. They prefer small street frontages, but large areas in the interior, where cheaper space can be utilized. In this respect they resemble theaters, which also operate by the chain method.

Associations of building owners and managers in the larger cities are alive to the desirability of attracting chain store tenants, who pay higher rentals, and are, generally speaking, excellent credit risks. They have in recent years made periodic counts of traffic in different downtown localities under similar conditions and times, so property owners may immediately offer conclusive evidence as to foot traffic and consequent buying power. It is a combination of these two elements that the chain store operator seeks.

The largest volume of foot traffic is not necessarily the best location for a chain store, but if the people are really shopping, it is the place where the chain operator is waiting to open a store. Occasionally chain stores refuse to consider locations where traffic is so closely packed on sidewalks that buyers literally have to fight to edge out from the flowing tide to enter a store and purchase. These elements must be considered by the broker seeking to locate a chain store in a given spot.

After long experience chain store brokers have worked out a schedule of maximum percentages of rents to gross sales which such concerns can afford to pay. These have not been completely standardized, and differ slightly under varying conditions, but twenty-eight lines of business average as follows:

Restaurants	12%	Cigars	8%
Millinery	12%	Shoes	8%
Barber Shops	12%	Hotels	8%
Florists	12%	Theaters	8%
Auto Accessories	10%	Women's Suits	8%
Drugs	10%	Jewelry	8%
Women's Waists	10%	Five & Ten Cent Stores	8%
Electrical Goods	10%	Trunks and Leathergoods	8%
Furniture, Rugs, etc.	10%	Candy	7%
Haberdashers	10%	Pianos and Phonographs	6%
Furs	10%	Men's Clothing	5%
Groceries and Provisions	10%	Teas and Coffee	3%
Hardware	9%	Department Stores	2½%
Credit Clothing	8%	Automobiles	2%

Chain operators some years ago inaugurated the so-called percentage basis for leasing stores, and many leases of this character have been made in the larger cities at "live" spots. Taking the foregoing table as a rough basis, a merchant will agree to pay rent on the gross volume of business done. Sometimes a minimum or maximum rental is stipulated below or above which it cannot go. This protects the landlord if the volume of business anticipated is not realized, and favors the merchant if the business grows in a phenominal way after becoming firmly established. Usually, however, a landlord demands a guarantee of minimum rent.

Rental percentages sometimes differ in various cities. In a mill town employing many women, the buying power favors the women's stores, while in a steel manufacturing city where male workers predominate, those retailers catering to the needs of men obtain the largest volume of business.

The entry of chain stores into thriving cities has resulted in a pernicious practice known as lease speculating. This is sometimes followed by persons who know of advantageous locations to become vacant in the future. Stores so located will be leased by speculators, who in turn will search out chain store concerns and sublet at considerably higher rentals, to the disadvantage of the property owner concerned, the broker, and most important of all, the merchant who finally rents the property. This is due at times to the property owner's disinclination to employ or deal with a high grade real estate broker, which is, of course, a very serious mistake.

Chain store operators will not patronize new districts. They abhor pioneering, preferring to wait until business conditions warrant their entering a new territory. They will pay whatever rent is demanded, if a location justifies an expected volume of business commensurate with the overhead involved.

Many chain store concerns have their own lease forms which they adapt to suit varying conditions. They will readily deal with realty brokers in individual cities, but usually through their own real estate departments, or through one of several large chain store brokers in eastern cities. These brokers are in constant contact with live realtors and owners in thriving cities, who are asked to keep the chain store brokers informed of possible 100 per cent locations. Chain store brokers usually divide commissions fifty-fifty with local brokers. The latter handle the interests of the property owner, while the chain store broker investigates, recommends and closes in behalf of the store operators.

Some chain store brokers recommend thirty per cent more rental for corner locations than for inside ones. A general ratio of one to five is observed as to size. That is, a store having a frontage of fifteen feet should have a depth of at least seventy-five feet, or five times its width. Of course, stores having wider or narrower frontages in proportion to depth may not be rejected, but brokers seldom care for rooms in which the general average is not at least one to five.

Chain stores almost invariably seek ground floor locations. The notable exception is credit clothing houses, which will consider second floor space, providing it has attractive show window space in connection with the ground floor entrance. One successful chain clothing concern has established a practice of renting a large store on the ground floor, which is entirely devoted to display purposes, it being necessary to ascend a stairway to the second story, where the general stock of merchandise is displayed and sold. Generous second floor window display space usually accompanies each location.

It must not be inferred that chain store owners are "easy marks," and that any rental asked will be paid. There must be real value given. In fact, chain store brokers are about the most discriminating persons who drift into a town to look things over. They acquire wide experience in rental values, and business possibilities, and know exactly what their clients want and will pay for. If a store measures up to the general standard set, it is not difficult for a chain store broker to furnish a client in short order.

Chain stores, where competition is unusually keen, will sometimes lease two corners at the main cross streets of a city to keep out a competitor. One of the corners will then be sub-leased to a non-competiting line of trade.

Certain lines of chain stores will gravitate to certain districts. The shops selling women's clothing, millinery, and shoes, naturally group themselves in the center of a town's "gold strip," which term is applied to the comparatively short stretch where stores rent at peak prices. Five and ten cent stores can usually be found in close proximity and usually at the peak of values. Cigar and drug store competition is often keen, and no sooner is one chain store located than another squats down near it, determined to share the cream of the trade existing there. Locations for women's wear stores will usually pay from ten per cent to twenty per cent better rentals than stores suitable for other lines.

With the up-to-date methods used by chain store operators, the large buying power represented, and the absence of the credit bogie, it is no wonder that old fashioned merchants in cities from 30,000 in size and up look askance at an invasion of their choicest territory by the chain store operators. The latter, however, are merchandising on sound economic principles of mass production and mass sales and are in business to stay. The live realtor will study his city, and its trade possibilities, and then get in touch with a large chain store broker and develop some choice business, to be extended each time a good location becomes available in the district best adapted to the needs of such retailing organizations.

CHAPTER XXIX.

GAS, OIL, SIGNBOARD, CONCESSION AND OTHER SHORT TERM LEASES.

Corporations and individuals throughout the country are constantly utilizing leases for a variety of business purposes such as in connection with drilling for gas and oil, gasoline service stations, signboards and electrical displays either on vacant land or buildings, railroads, vessels, markets and the granting of concessions of different kinds.

In many states active operations are always in progress looking towards drilling for natural gas. Large corporations marketing this product in the larger communities are constantly seeking new fields and reach out, sometimes many miles from the cities where the gas is consumed, for new supplies. It is well for a property owner who is about to grant a gas concession to carefully scrutinize it. The company usually will agree to give either a stated sum in money or a percentage of the receipts obtained from the entire flow should gas be discovered.

A gas company often pays a retainer for the right to go on the land and make drillings. If gas is obtained the owner is usually given, among other considerations, the right to pipe enough gas to his own dwelling for heating and lighting the same. If pipe lines are necessary the lessee agrees to bury them and to pay for any loss to growing crops involved. A complete gas lease may be found in the addenda.

Leases used by companies drilling for oil vary in localities where they are used. In the addenda will be found a typical lease used in southern oil fields. It is more complete than most forms. Leases of this character usually are for five or ten years "and as much longer as oil or gas shall be produced in paying quantities." It may be seen that a lease of this kind may become almost perpetual, if a flowing well continues to produce year by year into the future.

One-eighth of the oil usually goes as royalty to the owner of the land. This may be pumped into a separate tank or may be sold to the company itself at daily market prices, settlement being made on a certain date of each month. If gas is found in paying quantities and sold off the premises for fuel, lighting or making gasoline the land owner is paid a stated sum in money per well each year. The oil company reserves the right to erect pumping stations, lay pipe lines and do such other construction work as needed but agrees not to come nearer than a certain number of feet to the land owner's house or barn. It also agrees not to use the land owner's water wells.

Leases of this kind are often taken and drilling delayed for considerable time. The lease contains provision that this delay may take place if the lessee or oil company pays for the privilege. A bank is often named as agent for the lessor into which the lessee is required to deposit all rents or royalties as the same become due. The lessee often has the right to assign or cancel the lease if it cares to do so. A typical oil lease may be found in the addenda.

During the past few years outdoor advertising has developed in a remarkable manner and vacant lots, roofs of buildings and other public spaces are now in demand for display purposes. Large billboard companies in some cities sometimes lease property for ninety-nine years for the purpose of using it temporarily for signboards.

Signboard leases are usually made for one, two or three years, the company agreeing to remove all signs and cancel the lease if the property is sold or built upon. The company also reserves the right to cancel the lease on ten days' notice if unfavorable legislation should be passed affecting its business or if the premises are obstructed in such a manner as to affect the value of them for advertising purposes.

Gasoline filling stations are becoming common in all American cities. These are often temporary locations which are rented pending building developments. Rental is paid monthly or quarterly in advance with the privilege retained by the lessor of cancelling the lease in the event the land is sold or leased for a long term. The lessee is required to install all improvements and to remove them from the premises at the expiration of the lease. Rentals for gas stations in some of the larger cities range from $25 to $500 per month according to location.

Another form of lease entered into quite extensively in cities where large business establishments are located are concessions to operate departments in large retail stores. Definite stipulations for rental are made, often on a ten per cent basis, although a cash rental consideration is not uncommon. In consideration of the payment of rent the lessor agrees that goods similar to those sold in the particular department named will not be offered elsewhere in the store. Proceeds of all sales are usually turned into the store's general coffers and an accounting is made weekly or monthly as preferred. A typical lease is included in the addenda.

Furnished houses are usually leased under an agreement that the lessee will maintain the premises in good repair, furnish his own heat, water, electric light, etc., and occupy the premises in a lawful manner. A provision is usually inserted that furniture and fixtures must be left in as good a state of repair as the same were when the lease was executed. To enforce this feature, a cash deposit is often required, to be returned when the tenant removes, providing the lessor has sustained no loss through breakage, disappearance of goods, etc. A furnished house lease form is to be found in the addenda.

Theaters are often leased for a specific form of entertainment, such as moving pictures, burlesque, vaudeville, musical or dramatic attractions. The lessee is sometimes restrained from offering any other form of entertainment than that specified, without written consent from the lessor. This is due to the fact that franchises are sometimes held by certain theaters covering the bookings of definite classes of attractions, and the failure of a place of amusement may be due to changing the form of entertainment stipulated in the lease. Theater leases in general are substantially the same as other leases, but in several things are different. A theater lease, as a rule, covers a certain amount of equipment, as theaters are often leased completely furnished. Provision should be made for the maintenance and preservation of this equipment and its renewal from time to time. The theater business, furthermore, is subject to considerable legislation and police regulation and provision should be made in the lease for the observance by the lessee of the laws, ordinances and regulations relating to this special purpose. However, it is the policy of most municipal administrations not to enforce the so-called Sunday closing law. For that reason there is usually inserted a provision depriving the lessor of any right to declare a default on the part of the lessee owing to failure to observe the so-called Sunday closing law. An excellent theater lease may be found in the addenda.

Retail markets for the sale of produce, meats and food products are being opened by investment companies or individuals in many of the larger cities. Stalls are leased from year to year where such operations are not conducted on a co-operative basis with stall occupants owning the premises. Such leases often provide that in addition to the usual service covering the cleaning of aisles, and the furnishing of heat, refrigeration shall also be supplied to occupants of stalls handling perishable products. Stall owners are restricted to the sale of particular lines of foodstuffs and are sometimes required to pay for electric current provided for individual stall fixtures, although the general lighting is usually supplied by the operating company. This is to prevent unnecessary loss of electric current due to carelessness on the part of stall tenants. Quite frequently, also, the market management operates a package delivery system, a charge being made for deliveries in certain zones. All stall lessees are required to patronize this service and pay for it as additional rent according to the number of packages delivered each month.

Another form of lease is used in connection with vessels, these being known by the technical name of charters. A vessel is chartered or leased to convey a cargo to a definite port and to bring back a return cargo. Sometimes vessels are chartered to operate by the year on certain runs from port to port and return. This chartering for the most part is confined to ocean going vessels as the large vessels operating on the great lakes are privately owned by the companies using them.

Sections of railroads are sometimes leased by their owners to trunk lines, being operated by the latter as parts of the larger systems. Certain stipulations are made as to rental, maintenance and repairs, the purpose being to operate these branch lines so they may be turned back to the original owners at the expiration of the lease in practically as good a state of repair as at the time the lease first went into operation.

In the far west, leases are frequently made by large estates of great areas of grazing lands, the consideration being either a definite cash rental or a specified amount of livestock grazed on the property each season.

Leases on Summer hotels, country estates, hunting lodges and preserves and fishing grounds are quite common. Scenic attractions such as caves, springs, bathing beaches and parks, are often leased by owners to individuals or companies which operate them for profit.

Any property right whereon a lessee may make a profit, is subject to the provisions of a properly drawn lease.

CHAPTER XXX.

DEVELOPING A SHORT TERM LEASING BUSINESS.

Let it be assumed that all leases which are for twenty-five years or less are referred to in this chapter as short term leases. These group themselves under the headings of business, commercial, industrial, residence, farm and some special forms such as concessions in lobbies of public buildings, hotels and parks.

One of the chief sources of revenue to city real estate brokers often comes from renting retail stores. A broker should be thoroughly familiar with the territory in which he operates. Listings of all available vacancies should be obtained as far in advance as possible and a careful card index of expirations should be maintained.

Having available locations in mind the broker and his agents will naturally try to match them up with business concerns which are just coming into the market for space or relocate merchants already established in business but desirous of changing their base of operations. Constant contact with owners and tenants will reveal much business and enable a broker to negotiate profitable deals. A connection with a good chain store broker should be established and suitable locations as they become available should be submitted. Often there are in some cities local chain store systems purveying groceries, drugs and other commodities with whom friendly relations should be established.

Despite the most careful indexing systems, however, unlooked for vacant stores will appear from time to time and it is the broker's business to list these promptly and if possible place suitable signs either inside of the main windows or on the outside. Signs, by the way, are the best possible advertising medium for this kind of business. Usually a merchant has a certain district in mind in which he desires to establish himself and he will note the presence of a sign more quickly than a newspaper advertisement.

Another active field for short term leases is the commercial one. This embraces wholesaling concerns, jobbers, printers, garages, gas stations, coal and lumber yards and kindred kinds of commercial activities which are not really in the industrial class. They usually cluster on the edge of the retail districts or have localities turned over entirely to them as in the case of produce commission houses in most cities.

In industrial communities a considerable volume of leasing is done among small manufacturers who are unable to own their own plants and are compelled to occupy rented quarters. Such leases run for five, ten or fifteen years, sometimes with options for renewals. This is what is known in some cities as "loft" space and whole buildings of large dimensions are often provided for such purposes where convenient manufacturing quarters may be obtained with power furnished from a main plant in the building or from a large outside electric power company. Such property is often rented on a square foot basis of value.

Developing business in the commercial and industrial fields is accomplished in the same way that store leasing is engaged in, a regular system of available space and tenants who need new quarters being maintained and actively canvassed from to time.

Leasing or renting residences and apartments has developed into importance in the larger cities in recent years and property management concerns have sprung into existence and are rendering efficient service in many cities. Apartment management is assumed, repairs cared for, rentals collected and the entire care of looking after the property is lifted from the owner's shoulders for a five or six per cent commission on total rentals collected. Apartment managers, when they assume full charge of buildings seldom charge a commission for renting suites, that being included in the rate made on collections of rents. In leasing residences the regular commission on the total rental is charged but if a property is rented on a month to month basis the broker often makes a charge of one-half of the first month's rental.

In some sections of the country brokers conduct an active business in the rental of farms. Tenants sometimes pay so much per acre or have a cropping arrangement whereby they divide with the owner of the farm the profits from the crops raised. Commissions are paid either on the total rental involved or a fixed charge is made according to the value of the prospective crops received from the property.

Another form of leasing which is not of great importance is that of concessions for news, cigar or refreshment stands in hotels, office buildings, Summer parks, excursion boats or trains. This sort of business is merely incidental, and is of no considerable volume.

In making sales of property real estate agents usually find it advantageous to use regular sale contracts. This is not done to any great extent in short term leasing operations. The broker ascertains the terms and conditions on which a property may be leased, conveys the information to the prospective tenant, negotiates away any differences of opinions and then gets the principals together to sign the lease which is usually prepared by the property owner or his attorney. Regular printed forms are often used. The broker's commission is due and payable as soon as the lease is signed and the first rental payment is made.

A broker is in no way responsible for the standing or responsibility of a tenant after an owner has once accepted him and a lease has been signed. It is part of the broker's service, however, to ascertain the reliability of the proposed tenant and convey all information possible to the property owner concerning such matters, before a deal is consummated.

Brokers should be extremely careful, after submitting properties to clients who are prospective tenants that the owner of each property submitted is promptly notified by letter or printed form of the fact so the agent may be protected in the matter of commission should a tenant go to an owner and open direct negotiations. Some of them have a habit of doing this, believing their charming personalities may secure rental and other concessions which the broker has not been able to obtain. Many a commission has been lost through a broker's failure to give adequate notification at the proper time.

A broker should be extremely careful regarding the representations he makes relative to alterations or repairs which a property owner is willing to make for a prospective tenant. Nothing but truthful facts should be stated, these being substantiated by the owner. If either the owner or the tenant is given the impression that the broker is unreliable difficulty is bound to ensue and the deal will probably not go through.

Skillful and experienced lease brokers will often relieve a property owner of the necessity of preparing short term leases. Such leases should be as short in form as possible, should clearly state all the conditions involved. It needs considerable experience to properly prepare even a short term lease and a broker should not attempt it unless he has had practice and good forms from which to work and is entirely familiar with the conditions of the property itself, the needs of the tenant, and the laws of his state.

Real estate offices conducting a general brokerage business usually have separate departments dealing with business, commercial and industrial leasing and also with property management which includes dwellings and apartments. Salesmen work on a commission basis, receiving from one-third to one-half of the total commission earned, the balance going to the office for advertising, superintendence and general overhead expense.

Commissions charged on leases are usually the same as on sales. If a five year lease at $5,000 per year is made, the total rental would be $25,000. This would be charged for at the same rate paid for the sale of a similar class of property in which the consideration is $25,000.

Salesmen are usually assigned to specific territories with which they become so familiar that they rapidly develop into experts. Such men earn from $2,500 to $15,000 per year according to their ability, aggressiveness and their field of operation.

To the broker or salesman who seeks to be successful in the leasing business three things are necessary: Know your city! Know the specific territory in which you operate! Work, day and night, to develop new business!

ADDENDA

NINETY NINE YEAR LEASE

(NOTICE—This is the so-called standard lease used by a number of Cleveland realtors. Short, concise paragraphs, properly indexed and quite complete. Recommended when revised to fit each deal.)

CLAUSE 1. Parties. This indenture of lease, made this.................... between ....
....
....
party of the first part, hereinafter called LESSOR, and...................
....
....
party of the second part, hereinafter called LESSEE,
Witnesseth:

CLAUSE 2. Consideration. That each of the aforesaid parties acknowledges the receipt of a valuable consideration from the other and that they and each of them act herein in further consideration of the engagements of the others as herein stated.

CLAUSE 3. Premises. That LESSOR has and does hereby demise and lease unto the said LESSEE the following described premises:

(Description in full here)

CLAUSE 4. Term. To have and to hold the above described premises unto the LESSEE for the period of 99 years commencing on the.............day of......................192...., and ending on the.............day of.........................20...., renewable thereafter forever at same rental as for 99th year.

CLAUSE 5. Rental. LESSEE hereby covenants and agrees to pay to LESSOR as rent for the aforesaid premises the following amounts of money: ....

CLAUSE 6. When Rent Payable. Each year's rental shall be payable in quarterly installments in advance on the first days of January, April, July and October. Any installment of rent not paid when due shall bear interest at the rate of 8% per annum.

CLAUSE 7. Rent Payable in Gold. All rent reserved and agreed to be paid under this lease shall be paid in standard gold coin of the United States of America of the present standard of weight and fineness or its equivalent in lawful money of the United States.

CLAUSE 8. Sums Due Lessor a Lien. All money and other sums which shall become due to LESSOR hereunder by reason of any provision of this lease is and shall always be a valid and first lien upon the buildings and improvements on said property and upon all of the interests of the LESSEE in this lease and paramount to any mortgage which LESSEE may execute thereon, or any lien caused by LESSEE.

CLAUSE 9. Taxes and Assessments. In addition to the rental hereinbefore provided to be paid, LESSEE further covenants and agrees to bear, pay and discharge all taxes, assessments, rates, charges for revenue, imposts, and all levies general and special, ordinary and extraordinary, of any name, nature and kind whatsoever, which may be fixed, charged, levied, assessed, or otherwise imposed upon said premises or upon any or all buildings or improvements thereon, but said LESSEE shall not be required to pay income taxes or any inheritance or succession taxes which may at any time during the term of this lease be required to be paid upon any gift, devise, deed, mortgage, descent, or other alienation of any part of or all of said leased premises and property. LESSOR and LESSEE shall pay pro rata the taxes and assessments for the current year.

CLAUSE 10.
Tax Bills Exhibited.
LESSEE shall exhibit or deliver to LESSOR as often as requested so to do, the receipts showing the payment of the aforesaid taxes, assessments, rates, charges, imposts and levies.

CLAUSE 11.
New Building.
Within .... years from date LESSEE shall construct and fully complete on said premises a ....building suitable to the neighborhood in which they are situated of a cost value of not less than $.................... Said building shall be constructed of good material, erected in a good workmanlike manner and be ready for occupancy on or before.................... years from this date, free and clear of all liens of contractors, sub-contractors, mechanics, laborers, material men and other items of like character.

CLAUSE 12.
Extension of Time for Building.
If for any reason LESSEE shall desire the time extended within which the building provided for in Clause 11 may be completed, the same shall be extended, not, however, beyond...................years on the payment, at the periods provided for in Clause 6, of an increased annual rental equal to ....per cent of the rental provided for in Clause 5, for the extended time.

CLAUSE 13.
Bond.
Securities acceptable to LESSOR or a bond in the sum of ....Dollars ($......) with surety satisfactory to LESSOR shall be executed by LESSEE to LESSOR contemporaneously with this lease, conditioned for the erection of the aforesaid building together with the payment of rent, taxes, assessments and any and all obligations hereunder until the erection and completion of said building whereupon said bond shall be cancelled and said securities returned. The agreement as to said securities and said bond shall further provide that in case of failure of LESSEE to erect said buildings as hereinbefore specified a reasonable amount thereof shall be held to be payable to LESSOR as damages for such failure to erect said buildings.

CLAUSE 14.
Building Now on Said Premises.
There is a building now standing on said premises of the value of ....Dollars ($..............) and which LESSEE shall keep in as good repair as it now is up and until the time when it may be necessary to remove said building for the erection of the new or other buildings as herein provided for and which building shall be insured by LESSEE in the amount of 80% of its insurable value exclusive of foundation with the loss if any payable to LESSOR. The proceeds of any insurance collected for said building shall be repaid to LESSEE to apply on the new or other building herein provided for, such application to be made on the last payment falling due for said new or other buildings.

CLAUSE 15.
Insurance.
LESSEE hereby covenants that LESSEE will at all times during the term of this lease, have and keep said building or buildings so to be erected and constructed and completed, or any buildings erected hereafter upon said premises, in constant good condition and repair and insured against loss or damage by fire, in insurance companies of general recognized responsibility and credit, in an amount equal to not less than eighty per cent of the fair insurable value thereof exclusive of foundation.

CLAUSE 16. Policies to be Held by Trustee. Said policies of insurance shall be deposited with ....(or such other Trust Company as may be designated by the LESSOR) as trustee, and all sums arising by reason of loss under said insurance policies shall be available to the LESSEE for the reconstruction or repair, as the case may be, of any building or buildings injured or destroyed by fire and shall be by such trustee paid out from time to time on the estimates of any responsible architect, having supervision thereof, certifying that the amount of each estimate is being applied to the payment of the reasonable cost thereof, provided, however, that it first be made to appear to the satisfaction of the trustee that the amount of money necessary to provide for the reconstruction of any building or buildings destroyed or injured, according to the plan adopted therefor, which may be in excess of the amount received upon such insurance policies, has been provided by the LESSEE for such purpose and its application for such purpose assured.

CLAUSE 17. Excess of Insurance Money. Any excess of money received from insurance remaining with the trustee, after the restoration or reconstruction of such building or buildings, if there be no default on the part of the LESSEE in the performance of the covenants herein, shall be paid by the trustee to said LESSEE, and in case of the LESSEE not entering upon the reconstruction or repair of said building or buildings within a period of six months after such destruction or injury by fire or otherwise, and prosecuting the same thereafter with such despatch as may be necessary to complete the same within eighteen months after the damage or loss occurring, then the amount so collected or the balance thereof remaining in the hands of the trustee, as the case may be, shall be retained by it as security for the continued performance and observance by the LESSEE of the covenants hereof, and no part thereof shall be paid to the LESSEE except after a complete restoration or reconstruction of the building or buildings during the continuance of this lease, and it will be at the option of the LESSOR in such case to terminate this lease and retain such amount as liquidated damages resulting from the failure upon the part of the LESSEE to promptly, within the time specified, complete such work of restoration or reconstruction.

CLAUSE 18. Policies to be for the Benefit of. Said trustee shall hold all policies of insurance as provided hereunder for the benefit of LESSOR, LESSEE and any person, corporation or Trust Company holding a mortgage on the interest of LESSEE created under this lease as their respective interests may appear. LESSEE shall pay all charges by reason of deposit of said insurance policies or in disbursement of funds received by said Trust Company on said policies.

CLAUSE 19. Strikes. Whenever under this instrument a time is stated within which or by which repairs, original construction or reconstruction of said buildings shall be made and during such period a general or sympathetic strike or lock-out occurs, war or rebellion ensues or some event beyond LESSEE'S power to control, causing delay, the period of such delay so caused shall be added to the period limited herein for the completion of such work.

CLAUSE 20. Assignments. LESSEE further covenants that LESSEE will not, except by way of mortgage of the leasehold estate to secure some actual indebtedness, assign or transfer this lease without the written consent of LESSOR, unless there be at the time no existing default on the part of LESSEE in observance of the conditions herein, nor unless the first building herein covenanted to be erected shall have been completed, nor unless the assignee of this lease shall expressly assume LESSEE'S engagements hereunder, nor unless LESSEE shall have first placed in the hands of the LESSOR for inspection a sufficiently executed instrument of assignment and assumption which instrument shall be recorded at or about the time of its execution, but after any assignment made in conformity with the above conditions there shall be no further liability under this lease against LESSEE herein named and, thereafter all liability shall rest upon the assignee. Any assignment not in conformity with the above shall be void.

CLAUSE 21. Indemnity Against Cost or Charges. LESSEE further agrees that LESSEE will pay and indemnify LESSOR against all legal costs and charges including counsel fees reasonably incurred in and about the defense of any suit in discharging the said premises or any part thereof from any liens, judgments or encumbrances, caused or suffered by LESSEE.

CLAUSE 22. Lessor May Pay Delinquent Taxes. LESSEE further covenants that LESSOR shall have at all times during the term of this lease or renewals thereof, the right to pay any taxes, assessments, water rates, liens or other charges upon said premises, and the improvements thereon, also to redeem said premises from any sale that may be made of the same for taxes or assessments; that the amount so paid including reasonable expenses shall be so much additional rent due at the next rent date, and be a lien on LESSEE'S interest in said premises, after such payment.

CLAUSE 23. Validity of Taxes or Other Charges. It is further provided that it shall not be obligatory upon the part of the LESSOR to enquire into the validity of any taxes, assessments, liens or other charges, or any tax sale, before making payment as herein provided. If LESSEE should in good faith desire to contest any of said items the same may be done on giving LESSOR a bond in the amount thereof conditioned for the payment of such items in case LESSEE be defeated in the litigation.

CLAUSE 24. Care and Use of Premises. LESSEE further covenants that said premises and all buildings and improvements thereon shall during the term of this lease be used only and exclusively for proper, legitimate and moral purposes and that LESSEE will not use nor suffer any person to use in any manner whatsoever the said premises or any buildings thereon for any purposes in violation of the laws of the United States, the State of Ohio, or of the Ordinances and Laws of the City of Cleveland that are enforced, or will save LESSOR harmless from their violation.

CLAUSE 25. Premises to Be Kept in Good and Safe Condition. LESSEE further covenants that LESSEE will at all times keep all buildings and improvements on said premises and all appurtenances thereto and all sidewalks, steps and excavations under sidewalks in good, clean, safe, secure and sanitary condition and repaired and will keep any alley adjoining said premises in a clean, sanitary and safe condition and will conform to all enforced municipal ordinances and laws affecting said premises and will save the LESSOR free and harmless from any penalty, damage or other charges imposed for any violation of any of said laws, whether occasioned by the neglect of the LESSEE or any agent in the employ of said LESSEE, or any person contracting with said LESSEE and that LESSEE will indemnify and keep harmless LESSOR against and from any loss caused by damage or expense arising out of the construction and erection of any buildings or improvements on said premises, or out of any accident or other occurrence causing injury of any person whomsoever, or property whatsoever, and due directly or indirectly to the use of aforesaid premises or any part thereof.

CLAUSE 26. Waiver of Breach. It is hereby covenanted and agreed that no waiver of a breach of any of the covenants of this lease shall be construed to be a waiver of any succeeding breach of the same or any other covenant.

CLAUSE 27. Lease Not Terminated by Fire. It is further covenanted and agreed that in case any improvements and buildings upon said premises shall be at any time damaged or destroyed by fire, or other casualty, this lease shall not thereby be terminated, the laws of the state of Ohio to the contrary notwithstanding.

CLAUSE 28. Removing or Razing of Buildings. LESSEE shall have the privilege of removing or razing the building or buildings upon said premises at any time for the purpose of erecting in place thereof a new building or buildings, but prior to such removal or razing a bond or satisfactory security shall be executed to, and deposited with LESSOR, in the sum equal to the value of the building removed or razed, conditioned that within two years from the removal or razing of said building or buildings there shall be erected in place thereof a commercial building suitable to the location and of the fair value and cost of construction of not less than the value of the building removed or razed, and in case of failure to erect said building or buildings within the time herein specified reasonable damages for such failure to erect said building or buildings shall be paid to LESSOR.

CLAUSE 29. Old Material. Said LESSEE may convert material of the building or buildings removed or razed in accordance herewith to LESSEE'S own use. If only a part of the building or buildings is sought to be removed and such removal or destruction does not diminish the value of the building or buildings remaining to less than the value of the building required by Clause 11, then the LESSEE shall have the privilege of removing such portion for the purpose of erecting a new building instead, first giving a bond or furnishing securities in the amount of said diminished value. But such new structure shall be completed within two years after such removal or destruction.

CLAUSE 30. Excavation. In excavating for any building to be erected upon said premises LESSEE shall conform to and observe all laws, statutes and ordinances relating to such excavation and will protect all buildings on adjacent premises and at all times have and keep the LESSOR'S premises hereby leased free and discharged of any liability in favor of the owners of adjoining premises.

CLAUSE 31. Forfeiture on Default. It is further covenanted and agreed by and between the parties hereto, that any demand for rent made after it becomes due, shall have the same force and effect as if made on the day it falls due, that if any default shall be made by the LESSEE in any payment of rents or taxes, assessments, insurance premiums, water rates, or any other sum herein stipulated and agreed to be paid or kept, or the said LESSEE shall fail to keep and perform any other covenant, condition or agreement, herein provided on the part of LESSEE to be performed, and such default shall exist for a period of sixty (60) days, then, and in that case, the LESSOR may serve upon said LESSEE written notice of such default; and, if such default shall then continue without being wholly remedied for a period of thirty (30) days after the service of such notice, then it shall and may be lawful for the LESSOR, without further notice, to declare said demised term ended, and to re-enter and re-possess the said demised premises, and the building and improvements situated thereon, or any part thereof, either with or without process of law, and the said LESSEE does in such event, hereby waive any demand for possession of the demised premises, and any and all buildings and improvements then situated thereon, and the LESSEE covenants and agrees, upon the termination of said demised term at the election of said LESSOR, or in any other way, to surrender and deliver up said above described premises and property peaceably to said LESSOR, or the agents or attorneys of LESSOR, immediately upon the termination of said demised term.

CLAUSE 32. Arbitrators. The parties hereto covenant and agree that a board of arbitrators shall be constituted from time to time when needed, to decide all questions of compliance, interpretation or values, also any and all other questions, some of which are specifically provided for herein, arising under this lease, in regard to which the parties hereto may not agree.

Said board of arbitrators shall consist of three disinterested persons appointed, (two of whom may be appointed out of two lists of five persons each to be suggested respectively by the parties hereto) by the presiding judge of the Probate Court of Cuyahoga County, Ohio, which board shall begin at once and proceed with all reasonable dispatch to determine all questions which may be referred to them as herein provided, arising under this lease and such determination shall in each and every instance be final and binding, on the parties hereto.

If either party at any time prefers to have the matter in dispute determined by the courts instead of by arbitrators the same may be done by the party having such preference beginning legal proceedings before the arbitrators are appointed, but not afterwards.

CLAUSE 33. Questions Submitted to Arbitrators. Questions to be submitted to said board of arbitrators shall be put in writing by the parties hereto and if either party neglect or fail to act when called upon by the other party, or if any disagreement regarding such questions arise between the parties hereto, said judge of the Probate Court on the application of either party shall put such matters in writing and present the same to said board of arbitrators.

CLAUSE 34. Report of Arbitrators. Said board of arbitrators shall report to the parties hereto and to the Probate Court, within thirty (30) days after the questions have been submitted to them their findings in writing signed by not less than two arbitrators.

CLAUSE 35. Arbitrators Substituted When? If any one or more of said arbitrators resign, die or become incapacitated before a full and final determination of all questions submitted to them be arrived at, the Judge of the Probate Court shall appoint others in place of the arbitrators no longer acting to make or complete said determination.

CLAUSE 36. Probate Judge. The Judge of Probate Court herein referred to shall be the official or presiding judge longest acting and then most nearly performing the duties of such official as defined by the laws of Ohio in the year of 19.....

CLAUSE 37. Expense of Arbitrators. The parties hereto shall share equally the cost and expense of said arbitrators, and all expenses connected therewith.

CLAUSE 38. Purchase Clause. LESSEE is hereby granted the option at any time between 19.... and 19...., of buying the fee of the aforesaid premises for the sum of...dollars, ($...............) and in case said option be exercised conveyance shall be made by warranty deed and this lease shall thereupon be annulled. The certificate or abstract provided for in Clause 45 extended to date of the lease shall, in case of purchase, be accepted by the buyer as showing satisfactory title.

CLAUSE 39. Buildings Extending on to Adjacent Land. Any buildings built on said premises which shall be extended on to adjacent land not owned by LESSOR shall be so designed and constructed as to be readily and conveniently separately used by LESSOR and have convenient ways of access and egress from and to the aforesaid premises over which such building may extend.

CLAUSE 40. Appropriations. 1. In the event that the aforesaid land or a part thereof be appropriated by some corporation having the power of eminent domain or be conveyed by the parties hereto to avoid proceedings in appropriation, there shall be ascertained and determined by the Board of Arbitrators, provided for herein, unless the same has been otherwise ascertained and determined:

(a) The value of the land so appropriated or conveyed.

(b) The separate value of any buildings of LESSOR standing on the land so appropriated or conveyed.

(c) The separate value of any buildings belonging to LESSEE standing on the land so appropriated or conveyed.

(d) Any damage to the residue.

The total of the above four items shall be the amount to be distributed as provided below in this clause.

(e) The total future rentals payable to the LESSOR under this lease and apportionable to the land so appropriated or conveyed, and also the total future rentals of the buildings standing thereon belonging to LESSOR. In determining future rentals in a lease containing a provision for re-appraisal at a future date, the Board of Arbitrators may disregard said provision if the date for re-appraisal be more than ten years hence, but, in case it be less than ten years hence, said Board may make such re-appraisal at once and determine the future rentals including such re-appraisal.

2. The future rentals payable to LESSOR for the land appropriated or conveyed, also the future rentals payable to LESSOR for buildings standing on said land belonging to LESSOR, (except so much of said building rentals as may accrue on money received for said buildings which the arbitrators may determine shall be used for new construction on the residue of the land) shall be abated.

3. Out of the moneys received for said land appropriated or conveyed, also out of the moneys received for said buildings belonging to LESSOR, except so much of said building moneys, as may be used for new construction there shall be paid to LESSOR an amount on which the annual interest (computed at the rate determinable by the arbitrators from the lease, as nearly as such rate can be so determined, as the rate on which rentals were contracted for in the lease-hold agreement) shall equal the rentals annually abated.

If there be not sufficient moneys thus received, the full amount thereof, except so much as may be used for new construction, shal lbe paid to LESSOR.

If there be an excess in said moneys so received, over the amount above provided to be paid to LESSOR, and used for new construction, there shall also be paid to LESSOR from such excess, an amount which placed at interest at the rate of 3% per annum compounded annually, will equal, at the end of the current term of this lease, the amount of said excess.

4. Out of any remaining moneys received for said land appropriated or conveyed, also out of any remaining moneys received for said buildings belonging to LESSOR, also out of all moneys received as damages to the residue, also out of all moneys received for buildings standing thereon belonging to the LESSEE, there shall be deposited with the trustee then acting, provided for in

Clause 16, the amount of money which the arbitrators may determine should be invested in the construction on the residue of said land, of a building suitable to its location, and of the same relative value to said residue as the value of the building provided for in Clause 11 bore to the value of the whole land when the lease was executed, which money shall be available to the LESSEE for such purpose, and which building must be built within 18 months thereafter.

5. All remaining moneys shall be paid to LESSEE.

CLAUSE 41. Conditions Not Foreseen. In event of there arising a situation or condition not contemplated by any of the provisions of this lease, which situation or condition affects injuriously the rights and interests of either or both parties hereto, then and thereafter the Board of Arbitrators provided for herein shall be constituted and have full power to decide and determine what each of the said parties hereto shall do and accept in the way of delay or postponement of the requirements of this lease as long as such situation or condition continues, and such decision and determination shall be binding on the parties hereto.

CLAUSE 42. Notices. All notices provided for herein may be served by leaving the same with the trustee provided for in Clause 16, addresses to the party to be served with such notice.

CLAUSE 43. Covenants Run to Heirs, Etc. It is hereby covenanted and agreed between the parties hereto that all covenants, conditions, agreements and undertakings in this lease contained shall extend to and be binding on the respective heirs, executors, administrators, successors and assigns of the respective parties hereto the same as if they were in every case named and expressed and the same shall be construed as covenants running with the land. Also that the terms "LESSOR" and "LESSEE" shall be construed in the singular or plural number according as they respectively represent one or more than one person.

CLAUSE 44. Buildings at End of Lease. If there be a renewal provision in Clause 4 this whole clause (44) shall form no part of this lease, otherwise it shall apply and be part of it.

On or before one year before the expiration of this lease, the parties hereto covenant and agree that one year before the end of the term of this lease LESSOR may tendor to LESSEE an extension hereof for another period of 99 years, at the same rental as for the last year of the current term, and LESSEE may accept said extension, in which case no disposition of the buildings upon the premises shall at any time be provided for.

In the event LESSOR does not tender said extension of the term of this lease or LESSEE fails or refuses to accept such an extension on or before one month after it is received then and in either event the Board of Arbitrators, constituted as hereinbefore provided shall proceed, with dispatch and within three months thereafter shall appraise and determine the full and fair value of the buildings and improvements on said premises belonging to said LESSEE and shall at the same time separately appraise and determine the full and fair value of said land and any buildings belonging to LESSOR.

Thereupon on or before six months or a ratable period if there have been delays before the expiration of the term of this lease the LESSOR shall have the option of buying and taking over said buildings and improvements belonging to LESSEE at the value determined by said arbitrators and paying for the same on or before the expiration of the term of this lease first notifying the LESSEE of the intention of LESSOR so to do at the beginning of said six months.

In the event that LESSOR does not notify LESSEE on or before six months or a ratable period if there have been delays before the expiration of this lease of an intention to buy and take over said buildings and improvements belonging to LESSEE at the value determined by the arbitrators, LESSEE shall thereupon have the option of buying and taking over the fee of said land and any buildings belonging to LESSOR at the value thereof determined by said arbitrators and paying for same before the expiration of this lease and such payment being made conveyance shall be made by proper warranty deed.

In the event neither of the parties hereto decide to exercise the options above specified then after the expiration of this lease LESSOR and LESSEE shall become the owners in common of said premises and said buildings and improvements in proportion to their respective values entering into the same as determined by said arbitrators.

CLAUSE 45. Quiet Possession. LESSOR hereby covenants that said premises are free and clear from all encumbrances as appears from an abstract or certificate of title accompanying this instrument, also free from any restrictions or limitations on their use which will prevent or interfere with such use for commercial buildings and other like uses, and if LESSEE shall keep and perform all the covenants of this lease on the part of LESSEE to be performed, LESSOR will guarantee to LESSEE the quiet peaceful and uninterrupted possession of said premises.

CLAUSE 46. (This clause left blank for any provisions of preliminary agreement not herein provided for.)

CLAUSE 47. Husband or Wife Joining. .... of said LESSOR joins in executing this lease for the purpose of giving consent thereto and waiving any right of dower against LESSEE.

CLAUSE 48. Officers of Corporations Authorized to Act. The officers of said LESSOR and also of said LESSEE are duly authorized to execute this lease on behalf of their respective corporations by resolutions duly passed by their respective boards of directors recorded on page ....of the records of LESSOR, and on page .... of the records of said LESSEE.

In testimony whereof the above named LESSOR....................
....
....
and the above named LESSEE.......................................
....
have hereunto and to two other original instruments of identical tenor and date, set their hands on the day and year first above written.

This instrument consists of...........typewritten pages and each page is signed upon its margin also in all sub-clauses left blank with the initials of said LESSOR, or of one of its officers.

Witnesses.
Parties.

....

....

(Acknowledgements)

State of Ohio
Cuyahoga County SS.

Before me, a notary public in and for said county, personally appeared the above named ....

....

....

....

....

who acknowledged the signing and sealing of the foregoing instrument to be their free act and deed. In testimony whereof I hereunto set my hand and official seal this .... day of.................... A. D., 192...

....

Notary Public.

NINETY-NINE YEAR LEASE

(NOTE—This excellent short form lease is the result of long experience by unusually able attorneys and has been successfully used in many transactions. It contains all of the usual features of a long term lease and its use is recommended. It is known as the Henderson form.)

THIS INDENTURE, made and entered into this................day of ...., 19...., by and between .... the Lessor (which expression shall include his heirs, executors, administrators and assigns when the context so admits), and............................. the Lessee (which expression shall include his heirs, executors, administrators and assigns when the context so admits), evidences the grants, covenants and agreements now made by and between the parties with reference to the following described premises, to wit:

(Property Description Here)

DESCRIPTION OF PREMISES.

1. ON BEHALF OF THE LESSOR:

GRANT. That being the owner in fee of said premises, said Lessor does hereby demise and lease the same to the Lessee for a term of ninety-nine (99) years from and after the first day of ......, 19...., and in connection with such demise covenants with the Lessee that conditioned upon his performance and observance of the Lessee's covenants herein, he shall have the quiet and peaceable possession of said premises during said term and also hereby grants to him the privilege of purchasing said premises at a purchase price of .... Dollars ($..........) at any time during the .... year of the term hereof, on condition, however, of his not being in default at such time in such performance or observance of such covenants, and also on condition of his first giving to the Lessor six (6) months' written notice of his intention to make such purchase. On such election being so made and such purchase price paid therefor, the Lessor agrees to convey said premises, subject, however, to the leasehold estate hereby created, to the Lessee by deed of general warranty, accompanied by title abstract showing good title in fee simple, except for such leasehold estate passing under this conveyance, and title free from incumbrances other than such as have been created or suffered by the Lessee and for the discharge of which he is liable under the terms hereof.

2. ON BEHALF OF THE LESSEE IN CONSIDERATION OF SUCH DEMISE:

RENTS. (a) That he will pay to the Lessor at his office at ....or at such place in the city of ....as said Lessor may from time to time designate in writing, in equal quarterly installments in advance from the beginning of said term, by want of rent, the sum of .... Dollars ($..........) per annum, during the term of this lease.

TAXES. (b) That he will, as the same become due and payable, pay the last half of the taxes upon said premises for the year 19...., and also all taxes, assessments or other public charges hereafter during said term levied or assessed upon this lease, the rents herein reserved, the said premises or any buildings erected thereon and will at all times save harmless the Lessor from the payment thereof, or the payment of any claims or demands becoming chargeable against or payable in respect of said premises, or the use and occupancy thereof. No liability for the payment of taxes, assessments or other charges imposed by state or federal laws, or the laws of any foreign country upon the income of the Lessor or upon the passing of any interest in the leased premises generally known as "income," or "inheritance," "legacy," "succession" or "estate taxes" is assumed by the Lessee under this provision, these being liabilities of the Lessor. Nothing in this lease, however, shall be construed as preventing or interfering with the contesting by the Lessee, at his own expense, of any liens, claims, or charges of any kind in respect of the premises hereby leased which may be thought by the Lessee to be unlawful or excessive, and the Lessee, upon first furnishing to the Lessor, if the Lessor require the same, reasonable security for the payment of all liability, cost and expenses at the end of the litigation, may so contest the same.

RESTRICTIONS UPON USE. (c) That during the term hereof, he will conform to and observe all ordinances, rules and regulations of the said city and state and of all public authorities, boards or officers relating to said premises or the improvements upon the same or use thereof, and will not during such term permit the same to be used for any illegal or immoral purposes, business or occupation, or for the purpose of the sale of intoxicating liquors to be drunk upon the premises, except in connection with a hotel, restaurant, club or drug store, or some other principal business to which such sale of liquor shall be incidental merely, and will not in any case permit such liquors to be sold or dispensed at or over a bar on such premises, except in connection with the use of the same for hotel purposes and in such parts of the building or buildings constructed upon the premises as do not front upon any public street.

CONSTRUCTION OF BUILDING. (d) That he will, within a period of .... years from the beginning of said term and at a fair and reasonable cost of not less than .... Dollars construct upon the leased premises a building adapted to mercantile, commercial, light manufacturing, apartment, office or hotel purposes (one or more of the same) and that he will thereafter during such term have and keep upon the leased premises, except during any period required for reconstruction, a building of the character and cost of construction above provided for, and will at all times have and keep such building in good condition and repair, except as against loss or damage by fire or other casualty and in case of such loss or damage will, with reasonable dispatch, by suitable repairs or reconstruction, restore the same to the condition it had or should have had before such casualty. In case of the construction or reconstruction of any such building provided for herein being begun within a reasonable time, if there be delay in completion resulting from strikes, lockouts, or causes which could not have been reasonably foreseen, there shall be an allowance of additional time for such completion corresponding with the period of delay resulting from such cause. The Lessee may, however, at any time, for the purpose of reconstruction, remove from the leased premises the building so to be constructed or any building hereafter constructed in its stead on executing and delivering to the Lessor a bond in the sum of .... Dollars ($......), conditioned for the construction upon the premises of a building of the kind and description above specified within a reasonable time and for the payment of all amounts becoming payable under the terms of this lease until such building shall have been so reconstructed.

INSURANCE. (e) That he will, during the term hereof, at all times have and keep the interest of the Lessor in such building or buildings insured against loss or damage by fire under policies of insurance companies of recognized responsibility and credit and duly authorized to transact business in the State of Ohio in the full amount of .... Dollars ($......), or such lesser amount as may at any time represent the full insurable value of the same, with loss or damage arising under such policies made payable to The .... Trust Company, of ...., Ohio, as Trustee, or such other responsible trust company in the City of ...., as the Lessor may from time to time designate, and will procure such policies as issued from time to time to be deposited with such Trustee and pay to it its reasonable charges for the custody of the same as well as for all services by it to be rendered under this clause. All amounts received upon such policies, however, shall be available to the Lessee for the reconstruction or repair, as the case may be, of any such building or buildings, and in case of the work of reconstruction or repair being entered upon promptly and prosecuted with reasonable dispatch and there being no default on the part of the Lessee in the performance and observance of the covenants hereof, the Trustee, from the amounts received on such policies, shall from time to time, as far as is necessary, pay out the amount or amounts by it so received on the estimates of any responsible architect having supervision of such construction or repair certifying that the amount of such estimate is being applied to the payment of the reasonable cost of such construction, subject, however, in case of a plan of reconstruction being adopted which will require an expenditure of an amount in excess of the amount held by the Trustee, to the right of the Trustee to withhold such payments until such time as it be made to appear to his satisfaction that any amount necessary to provide for such reconstruction or repair, according to the plan adopted in excess of the amount held by the Trustee has been provided for by the Lessee and its application to such purposes assured. Any amount remaining in the hands of the Trustee from such source after the restoration or reconstruction of any buildings as herein required shall, if there be at that time no default on the part of the Lessee in the performance of the covenants hereof, be paid to the Lessee.

In case of the Lessee not entering upon the reconstruction or repair of any such building within a period of twelve (12) months after such destruction or injury by fire and thereafter prosecuting the same with such dispatch as would be necessary, in case of the entire reconstruction of the building, to effect completion of the same within a period of two (2) years thereafter, subject, however, to delays resulting from unforeseen causes as hereinbefore provided for in clause (d), then the amount so received by the Trustee or any balance remaining in its hands, as the case may be, shall be retained as security for the continued performance and observance by the Lessee of the covenants hereof, and no part thereof shall be paid to the Lessee or for reconstruction except with the consent of the Lessor and after a restoration of the building or buildings, it being the option of the Lessor in the meantime to terminate this lease on account of any such default and have transferred to him by the Trustee such amount as liquidated damages resulting to him from the failure of the Lessee to promptly and within a reasonable time complete such work of reconstruction or repair.

MORTGAGEES OF LEASEHOLD ESTATE MAY HAVE BENEFIT OF FUND. (f) In case the Lessee or his assigns in interest shall at any time, by trust deed or mortgage of his leasehold estate, for the purpose of securing the payment of any indebtedness by him or them contracted, authorized the mortgagees or trustees therein named on his behalf or in his stead to enter upon the leased premises and undertake or prosecute the reconstruction or repair of any building on the leased premises damaged or destroyed by fire, and to have and receive for his or their use for such purpose such insurance fund, then in that case such fund shall be equally available to such Trustee or mortgagee as to the Lessee as above provided, and it shall in like manner and to like extent at the request of any such Trustee, be applied to the reconstruction or repair of any such building so injured or destroyed.

ASSIGNMENT OF LEASE. (g) That he will not, except by way of mortgage of his leasehold estate to secure some actual indebtedness, assign or transfer this lease without the written consent of the Lessor during any period when there is an existing default on the part of the Lessee in the performance or observance of the conditions of this lease, or at any time after the loss, destruction or removal of any building upon the premises and before the complete repair or reconstruction of the same, nor shall he make such assignment or transfer unless the assignee shall expressly assume the Lessee's engagements herunder to the Lessor by written instrument filed forthwith for record in the Recorder's office of said county and an original copy thereof delivered to the Lessor. From and after the time, however, of the making of any such assignment in conformity with the foregoing provisions, there shall exist no further liability under this lease against the Lessee herein named, such liability passing under the instrument of assignment or transfer to the assignee, except that the Lessee herein named shall not be relieved from such liability until the building herein agreed to be erected within such period of .... years has been completed.

INDEMNITY AGAINST COST OF LITIGATION. (h) That he will pay to and indemnify the Lessor from the payment of all legal costs and charges, inclusive of counsel fees by him lawfully and legally incurred or expended in or about the defense of any suit in discharging the premises, or any part thereof, from any liens, judgment or incumbrances created by the Lessee upon or against the same, or against the Lessee's leasehold estate, or any such costs and charges incurred on account of proceedings in obtaining possession of the premises after the termination of the term of the lease by forfeiture or otherwise.

LESSOR MAY CURE CERTAIN DEFAULTS OF LESSEE. (i) That in case of any default on the part of the Lessee in the payment of any amount or amounts herein required to be paid by him other than amounts payable as rent, so called, or in case of any default in the procuring of insurance as herein provided, the Lessor may make any payment or payments proper and necessary to procure such insurance or to cure any default which may be relieved against by the payment of money, and the Lessee will thereupon on demand reimburse and pay to the Lessor the amount so paid or expended, with interest thereon at the rate of eight per cent (8%) per annum from the date of any payment is made, and a like rate of interest shall be payable upon all arrearages of rent herein provided to be paid. There is reserved to the Lessor the right at all reasonable times to enter upon the premises for the purpose of inspection of the building and such other purposes as may be necessary or proper for the reasonable protection of his interest in the premises.

LIEN OF LESSOR UPON LEASEHOLD ESTATE. (j) That for the payment of all rents hereby reserved and all amounts becoming at any time due hereunder by reason of any engagement of the Lessee, the Lessor shall have a valid and first lien upon all buildings and improvements upon the leased premises and upon the leasehold estate hereby created in favor of the Lessee therein. No act done or suffered by the Lessee shall in any manner affect the reversionary estate of the Lessor in the demised premises or his lien hereby created, and nothing herein contained shall authorize the Lessee on his behalf to perform any act which may in any way incumber or change the title of his said interest in the premises.

3. MUTUAL COVENANTS:

WAIVER. (a) No waiver of any breach of any covenant, condition or stipulation hereunder shall be taken to be a waiver of any succeeding breach of the same covenant, condition or stipulation.

LEASE NOT EXTINGUISHED BY DESTRUCTION OF BUILDING. (b) That no damage to or destruction of any building or buildings on the premises by fire or other casualties shall be taken to entitle the Lessee to surrender possession of the demised premises or terminate this lease.

NOTICE. (c) That all notices that may be proper or necessary for the parties hereto to serve upon each other, in case either of them shall have no generally known and recognized place of business within the City of......................may be effectually served by delivering the same to such Trust Company or to such person or persons or institution within the City of .... as may be designated by written notice served by either upon the other.

DEMAND FOR RENT AFTER SAME PAYABLE. (d) Any demand for rent or other payment made upon the Lessee after the same has become due and payable shall have the same effect as though made at the time of its becoming due and payable, and any previous demand therefor is hereby waived.

FIXING RIGHTS OF PARTIES IN LAND AND BUILDINGS AT END OF TERM. (e) During the first six (6) months of the last year of the term of this lease the parties hereto shall by agreement between them ascertain and fix the value of the premises hereby leased in connection with all buildings constructed thereon in like manner as if the same were all under single ownership and this lease extinguished, as well as the value of such building and land separately, that is, the amount which should be apportioned to each of them in making up such gross valuation and thereupon the Lessor shall have the first option and privilege of purchasing said buildings at the expiration of said term at the price so fixed as the value of the same, and in case of his failure or refusal so to make such purchase and pay such price for such building before the expiration of the term, the Lessee shall then immediately have the right and privilege of purchasing the land hereby leased exclusive of buildings and improvements, at the price so fixed upon the same, and in case the Lessee shall not exercise such privilege and make such payment within a period of twenty (20) days from and after the termination of such lease, then from such time forward the Lessor and the Lessee shall be taken to be the owners of the entire property, land and buildings in the proportion of interest based upon such relative value of land and buildings as above provided for and mutual conveyance shall be made of the interests so acquired.

If the parties shall not before six (6) months prior to the expiration of such term so agree upon and fix such valuation of land, buildings and entire property as above provided, then each of them shall select a resident free holder of said city as an arbitrator and notify the other of his choice within the first twenty (20) days of the last six (6) months of such last year of said term, and the two (2) so chosen shall within ten (10) days thereafter select a third resident free holder of said city and the three (3) so selected shall proceed to fix such valuation in like manner as above provided in case of the parties doing so and make their report in writing to the parties, the report and award of any two (2) of them being equally conclusive with that of all of them. Should either party fail to so select and notify the other within a period of ten (10) days after being so notified of the selection of the other, then the right to select a second free holder with like effect as if selected by the party so notified and in default, as well as the right to select a third free holder in case the arbitrators selected shall fail to select as above provided, shall be vested in the person (or in the eldest one if more than one) then for the longest time consecutively occupying the position of Judge in the Court of Common Pleas, or in case there be no Court of Common Pleas, in the other County Court of general jurisdiction of .... County, Ohio, most nearly corresponding thereto. In case such valuation shall not have been fixed by agreement or arbitration as above provided at or before the termination of this lease by limitation, then the same may, on or before the termination of this lease by limitation, on the application of either party be fixed by any court of competent jurisdiction, and the term of this lease shall in such case be extended until the same by final agreement be so fixed. Thereupon the Lessor shall for a period of ten (10) days have the option given to purchase such building, and in case of his failure so to do, the Lessee shall, for the next succeeding ten (10) days have the option to so purchase the land hereby leased, and in case of his failure so to do, the entire premises shall be held and owned in common as above provided.

RIGHTS OF PARTIES IN CASE OF APPROPRIATION TO PUBLIC USE.

(f) If prior to the exercise of the option of purchase herein provided for, any portion of the leased premises be taken by appropriation to public use, under right of eminent domain, such option of purchase shall thereafter apply to the remaining portion of the premises, except that there shall be an abatement of the amount of the purchase price corresponding with the proportion which the value of the land so taken (exclusive of improvements) may bear to the value of the entire premises (exclusive of improvements) at the time of such taking of the same, and in case of any such taking at any time during the continuance of the term of this lease there shall be a like proportionate abatement of the rent thereafter to be paid, and of the amount awarded for such taking of such portion of the leased premises (inclusive of improvements) the Lessor shall receive the then present worth of his reversionary estate in the portion of the land taken and the then present worth of the future rents covered by such abatement as his portion of the entire damages sustained from such appropriation and the remainder of the amount of such award shall be received by the Lessee as his portion of such damages.

If the entire premises be so taken during the term hereof, this lease shall thereupon be taken to be wholly terminated and the award received for the entire taking of the same (inclusive of improvements) shall be divided between the parties in like manner as above provided.

In case the parties shall not be able to agree upon such proportion of value of the premises so taken within a period of ten (10) days after the time of such taking, then such proportion of value shall be fixed in like manner as is herein provided under clause (e) of the mutual covenants of this instrument.

CONDITIONS OF GRANT. (g) This lease is made upon the condition that Lessee shall perform all the covenants and agreements herein set forth to be performed by him and if at any time there be default on the part of the Lessee in the payment of rent, taxes, assessments or other charges and payments by him to be made, or either of them, or any part thereof, and if such default shall continue for a period of ninety (90) days, or if there shall be default on the part of the Lessee in the performance or observance of any of the remaining covenants or agreements hereof by him to be observed and performed, and such default shall continue for a period of sixty (60) days after written notice of such default being given by the Lessor to the Lessee and to any mortgagee or grantee in trust who shall have given to the Lessor written notice of the existence of the interest held by him in the property, the Lessor at any time thereafter shall without demand or notice (which are hereby waived) have full right, at his election upon sixty (60) days' notice to enter upon the demised premises and take immediate possession thereof and bring suit for and collect all rents, taxes, assessments, payments or other charges which shall have accrued up to the time of such entry; and thereupon from the time of such entry, this lease and all rights herein granted shall become void to all intents and purposes whatsoever and all improvements made on said premises shall be forfeited to the said Lessor, without compensation therefor to the Lessee; provided also that for rents due and non-performance of other conditions the Lessor may sue at once but not enter into possession upon forfeiture, except as above provided.

IN WITNESS WHEREOF, The said Lessor and Lessee have hereunto affixed their names as of the day and year first above written, this instrument being executed in duplicate.

Executed and acknowledged by the
Lessor in the presence of:

....

....
Lessor.

....

Executed and acknowledged by the
Lessee in the presence of:

....

....
Lessee.

....

(Acknowledgements)

Ninety Nine Year Lease

(NOTE—Here is a good form of lease for property about to be improved with a building. No bonds were included as the same were not necessary.)

BY THIS INDENTURE OF LEASE, dated for convenience the first day of January, 1921, but actually made and entered into this .... day of ...., 192.., by and between .... hereinafter called the Lessor (which expression shall include his heirs, executors, administrators and assigns when the context so admits), and.......... .... hereinafter called the Lessee (which expression shall include his heirs, executors, administrators and assigns when the context so admits), the said parties do mutually covenant, grant, convey and agree to and with each other as follows:

I. ON BEHALF OF THE LESSOR:

TERM. (a) That upon the terms and conditions hereinafter stated, Lessor has leased, and does hereby lease, to said Lessee, for a term of ninety-nine (99) years from and after the first day of January, 1921, and at the expiration of said period renewable at the option of the Lessee for a further period of ninety-nine (99) years, and thereafter renewable forever, upon the same covenants and conditions as are in this lease set forth, the following described premises, to wit:

PREMISES. (Description here)

WARRANTY OF POSSESSION. (b) If the Lessee shall fully observe and perform all of the covenants and conditions of this lease devolving upon and to be performed by him, the Lessor hereby covenants and agrees that said Lessee shall have the peaceable possession and enjoyment of said premises, without the let, hindrance or disturbance of any person whomsoever.

II. ON BEHALF OF THE LESSEE:

RENT. (a) That during the term of this lease, Lessee shall pay to Lessor, at the office of..............................., ..., ..., or at such other place as the Lessor may from time to time designate in writing, rent for the term of this lease, and any renewals thereof, as follows:

> For the first year of the term of this lease, the sum of Three Thousand Dollars ($3,000.00), payable in quarterly installments of Seven Hundred and Fifty Dollars ($750.00) each, in advance, beginning January 1, 1921, and ending December 31, 1921;
>
> For the second year of the term of this lease, the sum of Thirty-six Hundred Dollars ($3,600.00), payable in quarterly installments of Nine Hundred Dollars ($900.00) each, in advance, beginning January 1, 1922, and ending December 31, 1922;
>
> For the third year of the term of this lease, the sum of Forty-two Hundred Dollars ($4,200.00), payable in quarterly installments of Ten Hundred and Fifty Dollars ($1,050.00) each, in advance, beginning January 1, 1923, and ending December 31, 1923;
>
> For the remaining ninety-six (96) years of the term of this lease, and any renewals thereof, the sum of Forty-five Hundred Dollars

($4,500.00) per year, payable in quarterly installments of Eleven Hundred and Twenty-five Dollars ($1,125.00) each, in advance, beginning January 1, 1924.

All quarterly installments of rent shall be payable on the first days of January, April, July and October of each year, and shall be in gold coin of the United States of America of or equal to the present standard of weight and fineness, or its equivalent in lawful money of the United States of America.

TAXES. (b) That as part of the consideration for this lease, and in addition to the rentals hereinbefore provided, the Lessee shall, as the same become due and payable, pay to the public officers charged with the collection thereof, all taxes, assessments, excises, imposts, and other charges of any and every kind, that may be levied, assessed, charged, or imposed upon said premises, and upon any improvements thereon, or upon this lease, or upon the estate created by this lease, or the rents derived from this lease, excepting to the extent herein expressly excepted, viz:

1. The Lessee shall not pay the taxes and assessments for the year 1920, it being understood that the same shall be paid by the Lessor.
2. The Lessee shall not pay any inheritance or succession tax under any existing or future laws of the United States of America or the State of ......, or any other state, that may be payable by reason of the devolution by descent or testamentary provision of the Lessor's estate in said premises, and Lessee shall not pay any income tax that may be payable by the Lessor to the United States Government under any existing or future income tax law of the United States, or the State of ......, or any subdivision thereof.

Provided, however, that if the State of ......, or any political subdivision thereof, in addition to imposing direct taxes, assessments or charges upon the land or improvements, levies a tax or charge upon this lease, or the estate created by this lease, or upon the rents or income of the Lessor from the premises, the Lessee shall pay to the Lessor, as additional rental, any and all sums levied by the State of ......, or any political subdivision thereof, upon this lease, or the estate created by this lease, or upon the rents or income of the Lessor from the premises by reason of the separate receipt of such income or rentals; that is, as though such rentals were all and the only income Lessor may have, but without deducting from such rentals any exemptions allowed to Lessor by the laws of said State, or any political subdivision thereof.

The Lessee will at all times save harmless the Lessor and the demised premises, and the improvements thereon, from all such taxes, assessments and charges, and from all liens and penalties in connection therewith, from all public requirements as to reconstruction or repair of sidewalks, and also from any and all claims for damages in any way hereafter chargeable to, or payable for or in respect of said premises, or the use and occupancy thereof, or the sidewalks and streets adjoining said premises, during said term, and will, upon written application of the Lessor, furnish to the Lessor for inspection, and such use as may be proper in protecting the estate of the Lessor in said premises, the duly certified written evidence of any and all such payments.

It is expressly understood and agreed, however, that the Lessee may, if he in good faith and upon reasonable grounds disputes the validity of any tax, assessment, or other charge, lien, penalty or claim, including liens or claims of materialmen, mechanics or laborers, or any part thereof, defend against the same, and in good faith conduct any necessary proceedings to prevent and avoid the same, provided that the Lessee shall first furnish to the

Lessor, if the Lessor require the same, reasonable security for the payment of such tax, assessment, charge, penalty, lien or claim, together with all costs and expenses at the end of such litigation, and the Lessee shall not, in the event of and during the bona fide prosecution of such litigation, be taken to be in default in respect to the subject matter of such litigation.

INSURANCE. (c) At all times during the term of this lease, including the period of construction or reconstruction of any building or buildings, the Lessee will have the building or buildings at any time upon said premises insured against loss or damage by fire, with responsible insurance companies satisfactory to the Lessor, legally authorized to transact business in the State of ......, and maintaining an office or agency in the City of ...., ..., said insurance to be in an amount equal to eighty per cent (80%) of the insurable value of said building or buildings and improvements, exclusive of basement and foundations.

All such insurance policies and all renewals thereof shall be deposited with The .... Trust Company, of ...., ..., or such other trust company as may from time to time be designated in writing by the Lessor herein, to act as trustee, and any loss thereunder shall be made payable to said trust company as trustee, to the end that said trustee shall be entitled to collect for the use and benefit of the Lessor and the Lessee all money due under said policies payable in the event of and by reason of the loss or damage by fire of the building or buildings situated on said premises. So far as the same may be procurable, said policies shall be so conditioned, either upon the face of the policies or by standard form of loss clause, that they shall provide that any loss shall be payable to said trustee for the benefit of the lessor, notwithstanding any act or neglect of the Lessee which might otherwise result in a forfeiture of said insurance.

DISPOSITION OF INSURANCE MONEY. All insurance money received by said trustee shall be held by it in trust, first, as additional security for the payment to the Lessor of the rentals and other charges herein provided for, pending the rebuilding or repairing of the building or buildings damaged or destroyed; and, secondly, in trust for the purpose of defraying the cost of rebuilding or repairing such building or buildings, as hereinafter provided; and for the purpose of paying to the Lessee any excess remaining in the hands of the trustee after the work of rebuilding or repairing, as the case may be, shall have been completed and fully paid for, that is to say:

LESSOR MAY HAVE APPLIED ON RENT, TAXES, ETC. 1st. If at any time that any such insurance money comes into the possession of said trustee the Lessee is in default in the payment of any rent, tax, assessment, lien or other charge which by the terms of this lease has been agreed to be paid by the Lessee, or if such default shall occur during the time said insurance money, or any part thereof, is in the possession of said trustee, then the Lessor shall have the right, upon demand, to require said trustee to pay over to the Lessor so much of the insurance money as may be necessary fully to pay or discharge any such sum of money in the payment of which the Lessee is in default as aforesaid, and this the Lessor may demand and require whenever and as often as any such default shall have occurred on the part of the Lessee. Nothing herein contained, however, shall be construed to permit the Lessee to default in the payment of the rentals or other charges hereinbefore stipulated, or in the performance of the other covenants of this lease, and the Lessor may, at his option, in case of the default in the payment of such rentals or other charges or the default in the performance of any other covenant in this lease, proceed against the Lessee for the collection of such rentals and charges, and may re-enter and take possession of the premises herein described in accordance with the provisions of this lease hereinafter set forth, without prejudice to his rights to the benefit of such insurance money as security for the payment of such rentals and other charges.

APPLICATION TOWARD REPAIR, REBUILDING OR REPLACEMENT; AND DISPOSITION OF EXCESS MONEYS.

2nd. All insurance moneys so received by the trustee which are not used or necessary to be used to make good any default in payment, as in the preceding paragraph provided, shall be available to the Lessee for the reconstruction or repair, as the case may be, of any such building or buildings injured or destroyed by fire, and shall be by such trustee paid out from time to time on the estimates of a responsible architect, satisfactory to the trustee, showing the application of the amount paid to such repair or reconstruction; provided, however, that it first be made to appear to the satisfaction of the trustee that any amount necessary to provide for the reconstruction of any building or buildings so destroyed or injured, according to the plan adopted therefor, which may be in excess of the amount received from such insurance, has been provided by the Lessee for such purpose, and its application to such purpose assured. In case there shall at any time be any excess remaining with the trustee from such collection, after the restoration, free of lien or liability for lien under any mechanics' lien law, of any such building or buildings to a condition equal to or better than the former condition thereof or the condition in which the same should have been at the time of the casualty, then any such amount shall be paid by the trustee to the Lessee and in case of the Lessee not entering upon the reconstruction or repair of such building or buildings within a period of six (6) months after any destruction or injury by fire, and thereafter prosecuting the same within such time and with such dispatch as may be necessary to complete the same within one (1) year after the damage or loss occurring (such allowance of time in addition to such one (1) year as provided in Section 3, Subdivision (e) hereof, being allowed in case of strikes, lockouts, fires, or other casualties), then the amount so collected, or the balance thereof then remaining in the hands of the trustee, as the case may be, shall be retained by it as a security to the Lessor for the continued performance and observance by the Lessee of the covenants hereof upon him so devolving; and no part thereof shall be paid to the Lessee except after the complete restoration of the building or buildings during the continuance of this lease; and in case of Lessee's failure to promptly and within a reasonable time enter upon and complete such work of reconstruction or repair within such one (1) year, or to have it completed, free of lien as aforesaid within the time limited as aforesaid, it shall be at the Lessor's option to terminate this lease, and retain as liquidated and ascertained damages, and not as a penalty or penal sum or in the nature thereof, all insurance money not previously disbursed.

USE.

(d) That during the term hereof the Lessee shall conform to and observe all ordinances, rules and regulations of said city and of all public authorities, boards or officers, relating to said premises or the improvements thereon, or the use thereof, and will not during such term knowingly permit the same to be used for the purpose of carrying on any illegal or immoral business or occupation; nor, in event the sale of intoxicating liquors becomes legal, will the Lessee knowingly permit said premises to be used for the purpose of the sale of intoxicating liquors to be drunk on the premises except in connection with a hotel, restaurant, club, drug store, or some other principal business to which such sale of liquor shall be incidental merely, and will not in any case permit such liquors to be sold or dispensed at or over a bar, except in connection with the use of the building or buildings for the purpose of a hotel as the principal business.

BUILDING INDEMNITY. (e) That in excavating for and constructing any building or buildings on the leased premises, the Lessee will conform to and observe all laws, statutes, building codes, rules and regulations relating to such excavation and construction, and will further protect all buildings upon adjacent premises to the extent required by said laws, statutes, building codes, rules and regulations, and at all times have and keep the Lessor and the premises hereby demised free and discharged of any charge or liability in favor of the owners of such adjoining premises, or any other person or persons on account of such excavation or construction.

BUILDING. (f) The Lessee, within sixty (60) days from the date of the execution of this lease, shall commence the construction of a building on the leased premises, and shall have such building completed and ready for occupancy on or before the first day of July, 1922. Such building when completed shall have a fair cost and value of not less than Twenty Thousand Dollars ($20,000), and upon completion shall be free of mechanic's, contractor's, sub-contractor's, or other statutory liens or the possibility thereof, except mortgage liens upon the leasehold estate, which building shall be substantially in accordance with the plans and specifications to be submitted to the Lessor prior to the commencement of the erection of said building. Such building shall be located entirely on the leased premises.

ASSIGNMENT. (g) The Lessee shall not, except by way of mortgage of its leasehold estate to secure some actual indebtedness, as hereinbefore provided, assign or transfer this lease without the written consent of the Lessor, unless there be at the time no existing default on the part of the Lessee in the performance and observance of the covenants and conditions hereof to be performed by the Lessee, and unless the building herein covenanted to be erected has been erected, nor unless Lessee shall first place in the hands of the Lessor for inspection a legal and sufficient instrument of assignment or assumption, which shall be recorded at or about the time of the execution of such assignment, by the terms of which the assignee shall assume the observance and performance of all the covenants and conditions on Lessee's part to be performed, but after the erection of the building required by the terms of this lease to be erected, and after any assignment made in conformity with the foregoing provisions, there shall exist no further liability under this lease against the Lessee herein named, and he shall be free and discharged of all and every obligation or liability hereunder, which obligation and responsibility shall rest upon the assignee.

INDEMNITY TO LESSOR AGAINST LITIGATION. (h) The Lessee will pay and indemnify the Lessor from the payment of all loss, legal costs and charges, inclusive of counsel fees, by the Lessor lawfully and reasonably incurred or expended in or about the prosecution of defense of any suit or other proceeding in discharging the premises or any part thereof from any liens, judgments or incumbrances created upon or against the same or against the Lessee's leasehold estate, and any such costs and charges incurred on account of proceedings in obtaining possession of the premises after the termination of the lease by forfeiture or otherwise.

REPAIRS AND GENERAL INDEMNITY. (i) The Lessee shall at all times and at his own expense keep all buildings and improvements situated on said premises at any time during the term of this lease in good order, condition and repair, and shall at all times save and keep the Lessor free and harmless from any and all damage or liability occasioned by any act or neglect of the Lessee or any agent or employee of the Lessee or any tenant of said premises holding under said Lessee, and shall indemnify and save harmless the Lessor against and from any loss, cost, damage and expense arising out of or in connection with the erection of any building or improvements upon said premises and out of any accident causing injury to any person or property whomsoever or whatsoever, and due directly or indirectly to the use of the premises or any part thereof by the Lessee or any other person or persons holding under him.

LESSOR'S LIEN. (j) The Lessor shall have the first lien, paramount to all others, upon every right and interest of the Lessee in and to said leased premises, and all buildings and improvements erected or placed thereon, for the purpose of securing the payment of the rents, taxes, assessments, charges, liens, penalties and damages herein covenanted to be paid by the Lessee, and for the purpose of securing the performance of all and singular the covenants, conditions and obligations of this indenture to be performed and observed by the Lessee.

REIMBURSEMENT AND INTEREST. (k) In case of any default on the part of the Lessee in the payment of any taxes, assessments, public charges or premiums on insurance, or the payment of any amounts herein provided to be paid other than amounts made payable on rents, so called, or in procuring insurance as herein provided for, the Lessor may, on behalf of the Lessee, make any such payment or payments, or procure any such insurance, and the Lessee covenants thereupon, on demand, to reimburse and pay the Lessor any amount reasonably so paid or expended, with interest thereon at the rate of eight per cent (8%) per annum from the date of the payment so made, until paid by the Lessee; and a like rate of interest shall be payable upon all arrearages of rent. Any demand for rent or other payment made on the Lessee after the same shall have become due and payable shall have the same force and effect as though made at the time of its becoming due and payable.

III. MUTUAL COVENANTS:

NO WAIVER IMPLIED. (a) It is hereby agreed by and between the parties hereto that no waiver of any condition or covenant in this instrument contained, or any breach thereof, shall be taken to constitute a waiver of any subsequent breach.

DESTRUCTION OF BUILDING. (b) That no damage to or destruction of any building or buildings on the premises, by fire or other casualty, shall be taken to entitle the Lessee to surrender possession of the demised premises or to terminate this lease, the laws of the State of ...... to the contrary notwithstanding; and neither party hereto shall be released, by reason of the damage or destruction of the building or buildings on the demised premises, from the obligations created or imposed by virtue of this instrument.

RENTS AND CHARGES A LIEN. (c) That the whole amount of rent received or agreed to be delivered hereunder, as such rent becomes due, and all moneys due hereunder by reason of any engagement by the Lessee, are and always shall be a valid and first lien upon the buildings and improvements thereon, and upon all the interests of the Lessee in the premises and in this lease.

CONCERNING TRUSTEE'S DUTIES AND COMPENSATION. (d) Whenever by the terms of this lease any services are required to be performed by The..................Trust Company, or any trustee provided for herein, the Lessee shall promptly pay and discharge all the reasonable charges of such trustee for its service and its reasonable expenses, and shall hold the Lessor harmless therefrom.

It is agreed that in and about the performance of any services hereunder, any such trustee shall not be liable for any mistake or error of judgment in the discharge of its duties, but only for bad faith or gross negligence.

The trustee shall not be liable or responsible for the collection of any insurance moneys, or for the failure or refusal of any insurance company or other insurer to pay any moneys due, or any part thereof, or to pay any such moneys to it, or to liquidate any loss in full, but the trustee shall be liable or responsible only for such insurance moneys as shall actually come into its or its agent's possession, less the proper expense of collection, and it shall not be obligated (although it shall have the right) to examine or inquire into the competency or good repute of any architect or engineer upon whose certificate or estimate it may pay out any insurance moneys, or to examine or inquire into the propriety or issuance of any certificate, or the reliability of any other evidence and vouchers upon which it may pay out money, and which it in good faith believes to be genuine and properly issued, nor shall it be in any way responsible for the proper application of any insurance moneys, or other moneys after the same have been disbursed or paid out by it under or pursuant to the provisions of this lease.

DELAYS. (e) Whenever the Lessee, pursuant to the provisions of this lease, is required to erect, repair or restore any building on the leased premises within a particular time limit, or at or before a specified date, and if the Lessee should, in good faith, be delayed in such work of erection, restoration or repair by any strike, lockout, fire or other casualty, then and in such event the period of delay occasioned by any such strike, lockout, fire or other casualty shall be added to the particular time limit otherwise provided herein, and the Lessee shall not be in default if he shall complete such work of erection, restoration or repair within the stipulated time limit, increased by a period of time equal to such period of delay.

FORFEITURE. (f) This lease is made upon the condition that the Lessee shall perform all covenants and agreements herein set forth to be performed by him, and that if at any time rent, taxes, assessments, insurance premiums, and other charges and payments aforesaid, or any of them, or any part thereof, shall become in arrear and unpaid for a period of sixty (60) days after becoming due, if any of the covenants or agreements aforesaid shall not be performed as hereinbefore stipulated and agreed to be performed by said Lessee, within the period of sixty (60) days after default in performance, the said Lessor, at any time thereafter, shall have full right, at his election, upon thirty (30) days' written notice, to enter upon the above demised premises, and take immediate possession thereof, and bring suit for and collect all rents, taxes, assessments, insurance premiums, or other charges which shall have accrued up to the time of such entry, and thenceforth from the time of such entry this lease shall become void to all intents and purposes whatsoever, and this lease, and all improvements made on said premises, shall be forfeited to the said Lessor as liquidated damages, without compensation therefor to the Lessee; provided, also, that for rents due and non-performance of other conditions, the Lessor may sue at once, but not enter into possession upon forfeiture except as above provided.

NOTICES. (g) That all notices which may be proper or necessary for the parties hereto to serve upon each other may, in case the one or ones to be notified be at the time non-residents of or absent from the City of ...., be effectually served upon such party by delivering the same, in writing addressed to such party, to The.................Trust Company, or such other resident trust company or agency as each may, by notice served upon the other, from time to time designate and appoint.

RIGHT TO INCUMBER. (h) The Lessee may at any time, by conveyance in trust or in any other legal manner, mortgage its leasehold estate hereunder, provided, however, and upon the express condition, that none of the rights of the Lessor in the said premises shall in any way become impaired or affected thereby.

RENEWAL. (i) Upon the expiration of the aforesaid term of ninety-nine (99) years, if this lease shall at that time be in force, then the same shall be renewable for a like period of ninety-nine (99) years, at the election of the Lessee, provided he is not in default in the performance of any of the terms and conditions of this lease, upon the same terms and conditions as during the original ninety-nine (99) years of this lease, except as to the erection of the new improvements, as provided in Subdivision (e) of Section II of this lease, and except that the rental to be paid shall be the annual rental of Forty-Five Hundred Dollars ($4,500.00). In event this lease shall be renewed for an additional term of ninety-nine (99) years, upon the expiration of such second term of ninety-nine (99) years, if this lease shall be at that time in force, the same shall be renewable forever at the election of the Lessee, provided he is not in default in the performance of any of the terms of this lease, upon the same terms and conditions as during the original ninety-nine (99) years of this lease, except as to the erection of new improvements, and except that the rental to be paid shall be the annual rental of Forty-five Hundred Dollars ($4,500.00). If the Lessee elects to renew this lease after the expiration of such first or second terms of ninety-nine (99) years, then the Lessee shall give written notice to the Lessor of his intention to renew, at least twelve (12) months prior to the termination of the first or second terms of ninety-nine (99) years, as the case may be.

REMOVAL OF BUILDING OR BUILDINGS. (j) In event the Lessee shall erect the building on the leased premises hereinbefore required to be erected, and thereafter such building, or any other building, or any part of such building, hereafter erected upon said premises, shall be removed by the Lessee, or destroyed otherwise than by fire, the Lessee shall proceed, within six (6) months after such destruction or removal either in whole or in part of such building or any other building hereafter erected, to construct a new building or improvements of the fair and reasonable cost, when completed on the premises, of not less than One Hundred Thousand Dollars ($100,000.00), free of contractor's, sub-contractor's or other statutory liens, or the possibility thereof, and upon the further condition that the Lessee will give to the Lessor at least one (1) month's notice, in writing, of his intention to remove or destroy such building and improvements, and provided, further, that before commencing the removal or destruction of such building or improvements, or any part thereof, the Lessee shall give to the Lessor a surety bond in the amount of Twenty-five Thousand Dollars ($25,000.00) with a company as surety which is authorized to execute and deliver surety bonds in the State of ...... and is satisfactory to the Lessor, which bond shall be conditioned to secure the construction and completion of said building or buildings and improvements, free from all liens of all kinds, or the possibility thereof, within one (1) year after the commencement of the removal or destruction of said building or buildings and improvements, or any part thereof, and further conditioned upon payment of rents, taxes, insurance, and other charges during said period of construction, and shall provide that on default of such completion within such time that the amount of said bond may, at the option of the Lessor, be considered as liquidated damages for failure to complete said reconstruction within the time limited, payable to the Lessor for the non-performance of Lessee's covenant aforesaid.

IN WITNESS WHEREOF, the said.................................. have hereunto set their hands to this instrument, in duplicate, the day and year first above written.

Signed and acknowledged
in presence of: ....

....

....

(Acknowledgements follow here.)

LONG FORM NINETY NINE YEAR LEASE

(NOTE—This lease has been compiled and repeatedly used by one of the largest trust companies in the Middle West. While rather long, it is very complete.)

THIS INDENTURE of Lease, dated for convenience the first day of .... 192...., but actually made and entered into on the........... day of ...., 192...., by and between THE .... COMPANY, of ...., Ohio, an Ohio corporation, the LESSOR (which expression whenever used in this Lease shall be construed as meaning the Lessor, its successors and assigns, whenever the context so admits) and THE .... COMPANY, an Ohio corporation, the LESSEE, (which expression whenever used in this lease shall be construed as meaning the Lessee, its successors and assigns, whenever the context so admits.)

WITNESSETH:

ARTICLE I.

GRANT.

That for the rent and upon the terms and conditions hereinafter stated, the Lessor has let and leased and hereby does let and lease unto the Lessee, its successors and assigns, the following described premises, to-wit:

(DESCRIPTION OF PREMISES HERE)

TO HAVE AND TO HOLD the above described premises, together with the privileges and appurtenances thereunto belonging, subject, however, to the foregoing restrictions and conditions and to the terms, conditions and covenants hereinafter expressed and declared, unto the said Lessee, its successors and assigns, for and during the full term of ninety-nine (99) years, commencing on the .... day of ...., A. D. ......, and ending on the .... day of ...., A. D. ......, unless the same shall be sooner terminated as hereinafter provided.

ARTICLE II.

COVENANTS ON BEHALF OF THE LESSOR.

First: The Lessor does hereby agree with the Lessee that, conditioned upon the Lessee's observance and performance of the obligations entered into on its behalf, the Lessor will warrant to the Lessee the peaceable possession and enjoyment of the demised premises against the lawful let, hindrance or disturbance of any person or persons whatsoever, except as hereinafter stated, and except as to such portion of the premises hereby demised, if any, as shall be taken under the power of eminent domain.

Second: In connection with the grant hereby made for such term of ninety-nine (99) years, the Lessor further gives and grants to the Lessee, upon the express condition, however, that there shall be no existing default on the part of the Lessee in any of the Lessee's obligations under this lease, the privilege of purchasing the premises herein above described at any time during the first .... (....) years of the said term, to-wit, on or before the .... day of ...., 19...., at and for the sum of .... Dollars ($.........). It is expressly made a condition of the aforesaid option or privilege to purchase that in case the Lessee shall elect to exercise said option the Lessee shall serve written notice of such election upon the Lessor at least sixty (60) days prior to the date on which the Lessee elects to complete such purchase of said premises, and upon giving said notice shall deposit with the Lessor the sum of .... Dollars ($..........) to cover the expense of completing said purchase, all of which expense shall be borne by the Lessee. Such sixty (60) days' written notice and the deposit and the completion of such purchase within said sixty days' period are hereby agreed to be of the essence of the contract. Upon receipt of said written notice and deposit, the Lessor shall execute and have ready for delivery to the Lessee a good and sufficient conveyance of said premises and shall have prepared and submit to the Lessee for examination at least ...... (...) days prior to the date upon which the Lessee shall have elected to complete the purchase of said premises an abstract of title prepared by a reputable abstract company showing in the Lessor a marketable title to said premises free and clear of any and all encumbrances, except taxes and other liens or charges which the Lessee is by this lease obligated to pay or satisfy and except this lease and such other encumbrances as the Lessee, or any one claiming through or under him, may have placed upon said premises. The above purchase price shall be payable in gold coin of the United States of America of the present standard of weight and fineness or in lawful money of the United States of America, as the Lessor may elect, and shall be payable upon delivery of the conveyance and abstract hereinbefore described.

Upon tender to the Lessee of such conveyance of the aforesaid premises and the abstract hereinbefore described, if the Lessee shall not make payment of the purchase price hereinbefore provided within the period of sixty (60) days aforesaid, all right or option to purchase the said property shall cease and determine.

ARTICLE III.

COVENANTS ON BEHALF OF THE LESSEE.

RENTS. The Lessee covenants that:

First: During the term of this lease the Lessee shall pay to the Lessor at such place in the City of ...., ..., as the Lessor may from time to time in writing designate, by way of rent for said premises, the sum of .... Dollars ($............) per annum, payable in quarterly installments of .... Dollars ($..........) each, in advance on the .... days of ....of each year during said term, the first of which quarterly installments shall be paid on ...., 192.....

Any installment of rent which shall not be paid when due shall bear interest at the rate of eight per cent (8%) per annum from the date when the same was due and payable by the terms of this lease until paid by the Lessee. All of said installments shall be payable in gold coin of the United States of America of the present standard of weight and fineness or in other lawful money of the United States of America, at the election of the Lessor, as from time to time designated by the Lessor.

Second: Whereas it is contemplated by the parties hereto that the northerly twenty (20) feet of the demised premises, or some part thereof, may be appropriated or voluntarily devoted to the widening of .... Avenue, and that the easterly ten (10) feet of said premises, or some part thereof, may be appropriated or voluntarily devoted to the widening of .... Street, and that the southerly sixteen (16) feet of said premises may be appropriated or voluntarily devoted to use for Service Court, referred to in the description of the demised premises, it is expressly agreed by the Lessee that there shall be no abatement of rental on account of the appropriation or voluntary dedication of any part of said premises for such street purposes and that any compensation which may be awarded on account of the appropriation of any part of said premises for such purposes shall belong to the Lessor.

TAXES AND OTHER PUBLIC CHARGES.

Third: As a part of the consideration of this lease and in addition to the rent hereinbefore provided, the Lessee shall pay to the public officers charged with the collection thereof, promptly as the same become due, and indemnify and save harmless the Lessor from, all taxes, assessments, license fees, excises, imposts and charges that are now or may hereafter be levied, assessed, charged or imposed upon this lease, the premises described herein, the improvements or any of them now or hereafter thereon, the rent thereof or therefrom, and the estate hereby created, or upon the Lessors by reason of their ownership of the fee underlying this lease, beginning with the taxes and assessments levied and assessed for the last half of the tax year 1919, except to the extent herein expressly excepted, namely:

> (a) The Lessee shall not pay any inheritance or succession tax under any existing or future law of the United States, or the State of ......, that may be payable by reason of the devolution by descent or testamentary provision of the estates of the Lessor in said premises; and the Lessee shall not pay any income tax that may be payable by the Lessor to the United States Government, under any existing or future tax law of the United States.
>
> (b) Should the State of ...., or any political subdivision thereof, levy or impose a tax, assessment, license fee or other charge upon this lease, or the estates created by the lease, or upon the Lessor by reason of their ownership of the fee underlying this lease, or on the rents or other income of the Lessor from the premises hereby leased or from the buildings thereon, the Lessee shall pay all such taxes, assessments, license fees or other charges levied or imposed, when the same shall be due and payable; provided, that in calculating the amount of any such taxes, assessments, license fees or other charges to be paid by the Lessee, no income of the Lessor other than the rents herein reserved shall be considered.

The Lessee will pay and indemnify and save the Lessor harmless from all charges, liens, penalties, claims and damages chargeable to or payable for or in respect of this lease, the premises described herein, the improvements or any of them now or hereafter thereon, the rent thereof or therefrom, and the estate hereby created, during the term hereof, save the above excepted taxes upon the interest of the Lessor; and upon the written application of the Lessor, the Lessee shall furnish to the Lessor, for inspection and such use as may be proper for the protection of the Lessor's interest in said property, written evidence, duly certified, that any and all such claims are duly satisfied or otherwise discharged. However, the Lessee shall at all times have the right to contest in good faith, in any proper proceedings, in the name of the Lessor if necessary, the payment or satisfaction of any such taxes, assessments, charges, liens, penalties or claims so agreed to be paid by the Lessee, if the validity thereof, or the right to assess or levy the same against or collect the same from the said premises or improvements or estate of the Lessee, be disputed by the lease, but the Lessee shall, in any and all such proceedings, protect and save harmless the Lessor from all costs, loss or damages resulting from any such proceedings or from the failure of the Lessee to make any such payments, and shall, if re-

LESSEE'S RIGHT TO CONTEST UNLAWFUL CHARGES.

BOND. quested so to do by the Lessor, give to the Lessor a bond, properly conditioned to that effect, with surety satisfactory to the Lessor, in double the amount of the taxes, assessments or other charges claimed to be illegal, which said bond shall contain a further condition that the Lessee upon deciding to dispute and contest the validity of any such tax, assessment or other charges and upon the giving of such bond, shall institute or procure to be instituted and prosecuted with all reasonable diligence such suit or suits or other proper legal proceedings as may be necessary and proper to contest the validity of any such disputed tax, assessment or other charge, and shall thereafter do and cause to be done all things which may be necessary or proper to be done properly to decide and determine finally and in a lawful manner the validity or invalidity of any such disputed tax, assessment or other charge. After the institution of any such suit or proceeding, if the same be required, and the giving of the bond conditioned as above provided, the Lessor shall have no right to pay any such disputed tax, assessment or other charge until such time as the same may have been fully and finally decided and determined to be valid and legal.

INDEMNITY TO LESSOR AGAINST LITIGATION. Fourth: The Lessee will pay and indemnify the Lessor from the payment of all loss, legal costs and charges, inclusive of counsel fees, by the Lessor lawfully and reasonably incurred or expended in or about the prosecution or defense of any suit or other proceeding in discharging the premises or any part thereof from any liens, judgments or encumbrances created upon or against the same or against the Lessee's leasehold estate, and any such costs and charges incurred on account of proceedings in obtaining possession of the premises after the termination of the lease by forfeiture or otherwise.

LAWFUL USE. Fifth: The Lessee will obey and comply with all lawful requirements, rules, regulations, laws and ordinances of all legally constituted authorities, in any way affecting this lease, the above described premises, the buildings and improvements now or hereafter thereon, or the use of the same, existing at any time during the continuance of this lease, (subject to the right of the Lessee to contest the validity of any such law, ordinance, rule, regulation or other requirement in the manner and under the conditions provided for in Section "Third" of this Article with respect to the contest of the validity of taxes, assessments or other public charges).

AGAINST PERMISSION OF UNLAWFUL USE. Sixth: The Lessee will not, knowingly, permit any part of the above described premises or of the buildings or improvements now or hereafter thereon, to be used for the purpose of any illegal or immoral business or occupation, will not suffer the same to be used for the purpose of the sale of intoxicating liquors to be drunk upon the premises, except to the extent, if any, that the same may be lawful in connection with a hotel, restaurant, club, drug store or some other principal business to which such sale of liquor shall be incidental merely and will not on any occasion permit such liquor to be sold or dispensed at or over a bar except in connection with the use of the building or buildings for the purpose of a hotel as the principal business.

INDEMNITY. Seventh: The Lessee will save and keep harmless the Lessor, the above described premises and the buildings and improvements now or hereafter thereon, at all times during the continuance of this lease, from all damages, claims, fines, penalties, costs and expenses whatsoever, including counsel fees, that may result to the Lessor or be incurred by the Lessor or imposed upon said premises or any buildings or improvements of any kind situated thereon, from any default or failure of the Lessee in the performance of the foregoing covenants and agreements with respect to use of said premises, made or permitted by the Lessee, and also in case the Lessor shall without any fault on his part be made a party to any litigation commenced by or against the Lessee, the Lessee shall and will pay all costs, reasonable attorney fees and expenses incurred by or imposed upon the Lessor by or in connection with such litigation.

NEW BUILDING. Eighth (a) Not later than the .... day of ...., 1919, the Lessee will begin or cause to be begun on said premises the erection of a mercantile and office building, to be located entirely upon said premises, which at the time of completion shall have a fair cost and value as hereinafter defined of not less than .... Dollars ($..........) which building shall have been completed not later than the .... day of ...., 1920, free of liens or rights thereto and of claims of contractors, sub-contractors, mechanics, laborers or material men. Said building shall contain eight stories and basement, shall be of re-enforced concrete and brick construction, and shall be substantially in accordance with the plans and specifications therefor deposited with the Lessor by the Lessee contemporaneously with the execution of this lease and initialed by both for purposes of identification. Said cost and value of .... Dollars ($..........) shall include not to exceed .... Dollars ($..........) on account of overhead and carrying charges during the construction of said building, including ground rent, taxes, assessments, interest upon any obligation or mortgage entered into by the Lessee for the purpose of securing funds for the completion of said building, fire insurance premiums, premium on surety bonds and liability insurance, financing cost, bonuses and commissions, attorney fees, organization expense, architects' fees and other items generally classed as "overhead cost and carrying charges" of such construction.

SECURITY FOR ERECTION OF NEW BUILDING. The Lessee shall, concurrently with the execution of this lease, execute and deliver to the Lessor a surety bond in form and amount satisfactory to the Lessor, with a corporation as surety which is authorized to execute and deliver such surety bonds in the State of .... and is satisfactory to the Lessor, which bond shall be conditioned to secure the construction and completion of the said building on or before ...., 1920, free of all liens and claims of contractors, sub-contractors, mechanics, laborers and material men, such construction to be effected by the Lessee, or, on the Lessee's default, by the surety, and also to secure the payment of all amounts payable under the terms of this lease until such building shall have been so completed, paid for and insured in accordance with the terms of this lease, and shall provide that on default of such completion and payments, such part of the amount of said bond as shall be required to complete such construction shall be paid to the Lessor as liquidated damages for non-performance of this covenant, if the Lessor elects for default in such construction or other default arising under the terms hereof to forfeit this lease and resume possession of the premises. Said bond shall also be conditioned to indemnify the Lessor against and save the Lessor harmless from any loss, cost, damage, expense, including counsel fees, or liability in any manner arising out of or connected with the construction of said building.

As further security for the completion of said building, the Lessee, contemporaneously with the execution of this lease, shall deposit with the Lessor .... Dollars ($.........) and shall indemnify the Lessor against, and save the Lessor harmless from, any loss, cost, damages, expense or liability in any manner arising out of or connected with the erection of said building and improvements. Payments shall be made from the said fund only on the written order of the Lessee as follows:

The Lessor shall disburse not to exceed .... Dollars ($.........) for actual overhead and carrying charges as hereinbefore defined, which payments shall be subject to the approval of a representative of the Lessor by it designated in writing for that purpose.

CONSTRUCTION COST. The Lessor shall disburse the remainder of said fund for the actual construction and equipment of said building upon the written certificate of an architect or engineer, selected by the Lessee, when such certificates shall have been approved in writing by a representative selected by the Lessor if the Lessor shall so elect, which certificates shall be to the effect that labor, material and construction have been performed and supplied in the erection and completion of said building for items of actual building cost exclusive of overhead and carrying charges hereinbefore provided for in the full amount and value shown and ordered to be paid in said certificates and by the persons therein designated as payees.

Any accumulation of interest upon the funds so held by the Lessor shall be added to and become a part of the said fund and shall be held and disbursed as above provided.

In the event of the termination of this lease by reason of any default on the part of the Lessee or the expiration of this lease before the expenditure of the full amount of the said fund as above provided, any unexpended balance remaining therein shall inure to and become the property of the Lessor.

Nothing in this lease shall authorize the Lessee to do any act or make any contract which shall in any way encumber or in any manner affect the title of the Lessor in the said land or buildings which are now or may hereafter be erected on said premises.

The Lessee in excavating for and constructing the said building, or any improvements, shall conform to and observe all laws, ordinances, rules and regulations affecting such work of excavation and construction, shall protect adjacent premises and all buildings thereon and shall at all times save the Lessor free and harmless from any charge, claim or liability in favor of the owners of such adjacent premises or of any other persons on account of such excavation and construction.

(b) The Lessee agrees to grade, pave and curb Parcel No. 2 hereinbefore described in the manner and within the time provided for in the covenant contained in the deed to the Lessor hereinbefore set forth. The Lessee agrees to keep said pavement in good condition and repair and further agrees that in the event of its failure so to do the Lessor and the owner or owners of the adjoining parcels, or any of them, shall have the right to make the necessary repairs and charge the cost thereof to the Lessee, and in the event of the Lessee's failure to pay said cost, agrees that said owner or owners so making such repairs shall have a lien on the Lessee's interest in said Parcels Nos. 1 and 2 under this lease and the Lessee further agrees to indemnify the Lessor against any loss, cost, damage or expense which it may suffer or incur by reason of any failure on the part of the Lessee to make said improvements and repairs, and particularly agrees to keep the interest of the Lessor in said Parcels Nos. 1 and 2 free and clear of any lien which the owner or owners of any adjoining parcels might be entitled to establish thereon by reason of failure to make the said improvements and repairs or to pay the cost thereof.

REPAIRS. Ninth: The Lessee will at all times and at its expens keep all buildings and improvements situated on sai premises at any time during the term of this lease in good order, conditio and repair, and shall at all times save and keep the Lessor free and harmles from any and all damage or liability occasioned by any act or neglect of th Lessee or any agent or employee of the Lessee or any tenant of said premise holding under said Lessee, and shall indemnify and save harmless the Lesso against and from any loss, costs, damage and expense arising out of or i connection with the erection of any buildings or improvements upon sai premises and out of any accident causing injury to any person or propert whomsoever and whatsoever, and due directly or indirectly to the use of th premises or any part thereof by the Lessee or any other person or person holding under it.

Tenth: If the buildings and improvements which the Lessee herei covenants to erect on said premises shall be damaged or destroyed from an cause, whether protection shall have been obtained against such damage o destruction by insurance or not, the Lessee covenants that within one (1) yea from the date of such damage or destruction it will commence the work o repair, reconstruction or replacement and prosecute the same with all reasonable dispatch, and in any event so that within two (2) years from the date o such damage or destruction such buildings and improvements will have bee repaired or reconstructed or replaced by another building or buildings and improvements equal in value to the value of the buildings and improvements s damaged or destroyed.

WASTE. Eleventh: The Lessee will neither commit nor permi waste upon the leased premises other than to the exten necessary for the removal of any buildings or improvements now or hereafte upon said premises for the purpose of constructing and erecting other buildings and improvements thereon and then only after the Lessee shall have give to the Lessor a good and sufficient bond as hereinafter provided for in case o removal and destruction of buildings or improvements.

INSURANCE. Twelfth: At all times during the term of this lease, including the period of construction or re-construction o any building or buildings, the Lessee will have said buildings insured agains any loss or damage by fire, water or cyclone, with responsible insuranc companies satisfactory to the Lessor, legally authorized to transact busines in the State of Ohio and maintaining an office or agency in the city of .... Ohio, said insurance to be in an amount of not less than eighty per cen (80%) of the full insurable value of said buildings and improvements.

All such insurance policies and all renewals thereof shall be deposite with the .... Trust Company, of ...., Ohio, and an loss thereunder shall be made payable to said Trust Company, as Trustee, t the end that said Trustee shall be entitled to collect for the use and benef of both the Lessor and the Lessee all money due under said policies payabl in the event of and by reason of the loss or damage by fire or water or cyclon of the building or buildings situated on said premises. So far as the sam reasonably may be procurable, said policies shall be so conditioned, either upo the face of the policies or by standard form of loss clause, that they shall provide that any loss shall be payable to said Trustee for th benefit of the Lessor, notwithstanding any act or negle of the Lessee which might otherwise result in a forfeiture of said insurance. All insurance money receive

DISPOSITION OF INSURANCE MONEYS.

by said Trustee shall be held by it in trust; first, as additional security for the payment to the Lessor of the rentals and other charges herein provided for, pending the re-building or repairing of the building or buildings damaged or destroyed; secondly, in trust for the purpose of defraying the cost of re-building or repairing such building or buildings as hereinafter provided and thirdly, for the purpose of paying to the Lessee any excess remaining in the hands of the Trustee after the work of re-building or repairing, as the case may be, shall have been completed and fully paid for, that is to say:

LESSOR MAY HAVE APPLIED ON RENT, TAXES, ETC.

(a) If at any time that any such insurance money comes into the possession of said Trustee, the Lessee is in default in the payment of any rent, tax, assessment, lien or other charge which by the terms of this lease has been agreed to be paid by the Lessee, or if such default shall occur during the time said insurance money, or any part thereof, is in the possession of said Trustee, then the Lessor shall have the right upon demand to require said Trustee to pay over to the Lessor so much of the insurance money as may be necessary fully to pay or discharge any such sum of money in the payment of which the Lessee is in default as aforesaid, and this the Lessor may demand and require whenever and as often as any such default shall have occurred on the part of the Lessee. However, nothing herein contained shall be construed to permit the Lessee to default in the payment of the rentals or other charges hereinbefore stipulated or in the performance of the other covenants of this lease, and the Lessor may at its option, in case of the default in the payment of such rentals or other charges or the default in the performance of any other covenant of this lease, proceed against the Lessee for the collection of such rentals and charges and may re-enter and take possession of the premises herein described in accordance with the provisions of this lease hereinafter set forth, without prejudice to his right to the benefit of such insurance money as security for the payment of such rentals and other charges.

APPLICATION TOWARD REPAIR, REBUILDING OR REPLACEMENT.

(b) All insurance moneys so received by the Trustee which are not used or necessary to be used to make good any defaulted payment as in the previous paragraph provided, shall be available to the Lessee for the purpose of defraying the cost of re-building or repairing, as the case may be, the building or buildings so injured or destroyed or of replacing the same with a new building or buildings costing not less than................Dollars ($.........), such repair, restoration or replacement to be in accordance with plans and specifications approved by the Lessor, and shall be by said Trustee paid out from time to time to the persons certified in such architects' or engineers' estimates to be entitled thereto on architects' or engineers' estimates which shall be subject to the approval of the Lessor at its option, showing the amount due to designated persons for labor, material and other proper items of building cost performed or supplied towards the work of repair, reconstruction or replacement and the amount still required to be paid, provided, however, that it first be made to appear to the satisfaction of said Trustee that any amount necessary to pay the cost of the work of repair, reconstruction or replacement according to the plan adopted by the Lessee therefor, which is in excess of the amount in the hands of the Trustee available therefore, has been provided by the Lessee for such purpose and its application to said purpose assured, and provided further that before any such disbursement shall be made the Lessee shall first execute and deliver to the Lessor or to such Trustee for the benefit of the Lessor a surety bond in form and amount satisfactory to the Lessor, with a corporation as surety which is authorized to execute and deliver such surety bonds in the State of Ohio and is satisfactory to the Lessor, which bond shall be conditioned to secure the commencement within one (1) year and the completion free of all liens and claims of contractors, sub-contractors, mechanics, laborers and material men, within two (2) years after such loss shall occur, of such repair, restoration or replacement to be effected by the Lessee, or, on the Lessee's default, by the surety, and the furnishing by the Lessee of all money necessary to pay for the same in addition to such proceeds of insurance and also to secure the payment of all amounts payable under the terms of this lease until such repair, restoration or replacement shall have been completed, paid for and insurance effected in accordance with the terms of this Lease, and shall provide that on default of such completion and payments, such part of the amount of said bond as shall be required to complete such repair, restoration or replacement shall be paid to the Lessor as liquidated damages for the non-performance of the above obligations, if the Lessor elects for the default in such repair, restoration or replacement or other default arising under the terms hereof to forfeit this lease and resume possession of the premises. Said bond shall also be conditioned to indemnify the Lessor against and save the Lessor harmless from any loss, cost, damage, expense or liability in any manner arising out of or connected with such repair, restoration or replacement and shall remain in force and effect until the entire cost of such repair, restoration or replacement shall have been paid in full and insurance effected as by this lease provided.

INTEREST PART OF FUND. Any accumulation of interest upon the fund so paid and held by the Trustee shall be added to and become a part of the said fund and shall be held and disbursed by the Trustee, as above provided.

ON FORFEITURE INSURANCE FUND BELONGS TO LESSOR. In the event of the termination of this lease by reason of any default on the part of the Lessee or the expiration of this lease before the expenditure of the full amount of the said fund as above provided, any unexpended balance remaining therein shall inure to and become the property of the Lessor.

TIME LIMIT. The Lessee further shall commence to repair or reconstruct any property so destroyed or damaged, or to replace the same with a new building or buildings as provided herein, within the period of one (1) year after such loss shall occur, continue diligently to carry forward such repair, reconstruction or replacement, complete the same within two (2) years after such loss shall occur, and pay or cause to be paid all expenses and costs in connection therewith so that the same shall be completed free and clear from all liens or claims of contractors, sub-contractors, mechanics, laborers and material men, or the possibility thereof.

EXCESS MONEYS. (c) In case there shall at any time be any excess of insurance moneys remaining with said Trustee after the payments, if any, required to be made according to Section (a) hereof have been deducted therefrom and after the work of repairing, reconstructing or replacing such building or buildings shall have been completed in accordance with Section (b) hereof, then any such excess amount shall be paid by the Trustee to the Lessee, provided that any and all liens of contractors, sub-contractors, mechanics, laborers, material men or other liens of like character shall be either paid or discharged.

LESSOR MAY FORFEIT FOR FAILURE TO REBUILD.

In case the Lessee shall not enter upon the repair, reconstruction or replacement of such building or buildings injured or destroyed within a period of one (1) year of such injury or destruction, and thereafter prosecute the work of repair, reconstruction or replacement with such dispatch as may be necessary to complete the same within two (2) years after the happening of such casualty, not including the time lost by reason of strikes, lockouts, or other unavoidable delay, it shall be optional with the Lessor to terminate this lease and retain the amount in said insurance fund as liquidated damages resulting to it from such failure to prosecute promptly and within such time limit such work of repair, reconstruction or replacement.

ASSIGNMENT.

Thirteenth: The Lessee will not, except by way of mortgage of its leasehold estate to secure some actual indebtedness, assign or transfer this lease without the written consent of the Lessor, unless (1) there be at the time of such assignment or transfer no existing default on the part of the Lessee in the performance and observance of the covenants and conditions hereof, (2) the assignee of the lease in writing shall expressly assume all of the Lessee's engagements hereunder, (3) the Lessee shall have first placed in the hands of the Trustee of Insurance as herein before provided for, for inspection by the Lessor for a period of ten (10) days, a legal and sufficient instrument of assignment and assumption, which such instrument, being sufficient in form, shall be recorded within thirty (30) days from the time of the execution of such assignment, and (4) the Lessee shall thereupon file with the Lessor a duplicate original of said instrument of assignment and assumption. After any assignment made in conformity with the provisions of this stipulation, and upon the express condition that the building or buildings in Item Eighth of this Article covenanted to be erected upon said premises, shall have been erected and completed on said premises free of liens as in said Item Eighth provided, there shall exist no further liability under this lease against the assignor, and such assignor shall be free and discharged from any and every liability and obligation thereunder, which liability shall rest upon the assignee.

LESSOR'S LIEN.

Fourteenth: The Lessor shall have the first lien, paramount to all others, upon every right and interest of the Lessee to and in said leased premises and all buildings and improvements erected or placed thereon, for the purpose of securing the payment of the rents, taxes, assessments, charges, liens, penalties and damages covenanted to be paid by the Lessee, and for the purpose of securing the performance of all and singular the covenants, conditions and obligations of this indenture to be performed and observed by the Lessee.

UPON LESSEE'S DEFAULT LESSOR MAY PAY TAXES, INSURANCE PREMIUMS, ETC.

Fifteenth: In case of any default on the part of the Lessee in the payment of any taxes, assessments, public charges or premiums of insurance, or the payment of any amounts herein provided to be paid other than the amounts made payable as rents, so-called, or in procuring insurance as herein provided for, the Lessor may, on behalf of the Lessee, make any such payment or payments, or procure any such insurance, and the Lessee covenants thereupon on demand to reimburse and pay the Lessor any amount reasonably so paid or expended, with interest thereon at the rate of eight per cent (8%) per annum from the date of the payment so made, until paid by Lessee.

SURRENDER OF POSSESSION ON TERMINATION OF LESSEE'S RIGHTS.

Sixteenth: Upon the termination of the Lessee's rights hereunder, the Lessee will surrender to the Lessor possession of the leased premises, together with all buildings and improvements thereon, in good condition and repair.

ARTICLE IV.

MUTUAL COVENANTS AND CONDITIONS.

It is mutually covenanted and agreed by and between the Lessor and the Lessee that:

REMOVAL OF PRESENT BUILDINGS.

First: The Lessee shall have and is hereby granted the right and privilege forthwith to remove or destroy the buildings and improvements now upon said premises, or any part thereof, but upon condition that the Lessee will proceed without delay thereafter to erect in their place and stead the new building hereinabove referred to, in accordance with the provisions hereinabove set forth, first furnishing the security for such erection hereinabove provided for.

REMOVAL OF OTHER BUILDINGS.

Second: The Lessee may remove or destroy any buildings and improvements hereafter erected upon said premises or any part thereof, but only upon condition that the Lessee will proceed without delay thereafter to erect in their place and have completed free of liens as provided for in the bond hereinafter required, new buildings and improvements of a value equal to the fair value on the premises of the buildings and improvements removed or destroyed at the time of such removal or destruction, and in no event of a value less than .... Dollars ($..........); and upon the further condition that the Lessee shall give to the Lessor at least three (3) months' notice in writing of its intention to remove or destroy such buildings and improvements, that such new buildings and improvements shall be erected in accordance with plans and specifications approved by the Lessor, and that, before commencing the renewal or destruction of any such buildings or improvements the Lessee shall give to the Lessor a surety bond in form and amount satisfactory to the Lessor with a corporation as surety which is authorized to execute and deliver surety bonds in the State of Ohio and is satisfactory to the Lessor, which bond shall be conditioned to secure the construction and completion of the proposed new buildings and improvements free from all liens and claims of contractors, sub-contractors, mechanics, laborers and material men, within eighteen (18) months after the commencement of the destruction or removal of the buildings and improvements theretofore on said premises, such construction to be effected by the Lessee or, on the Lessee's default, by the surety, and also to secure the payment of all amounts payable under the terms of this lease until such new buildings and improvements shall have been so completed, paid for and insured in accordance with the terms of this lease, and shall provide that on default of such completion and payments, such part of the amount of said bond as shall be required to complete such reconstruction or replacement shall be paid to the Lessor as liquidated damages for the non-performance of this covenant, if the Lessor elects for default in such construction or replacement or other default arising under the terms thereof to forfeit this lease and resume possession of the premises. Said bond shall also be conditioned to indemnify the Lessor against and save the Lessor harmless from any loss, cost, damage, expense or liability in any manner arising out of or connected with the destruction or removal of buildings and improvements, and the reconstruction or replacement therein secured. Said bond shall remain in force and effect until the entire cost of the construction and equipment of such buildings and improvements shall have been paid in full and such buildings and improvements shall have been insured in the same manner herein provided for with respect to the buildings and improvements first to be erected upon said premises by the Lessee. Upon the furnishing of such bond, the Lessee may thereupon convert the material of the building or buildings so to be removed on said premises to his use.

The Lessee shall have the right, in lieu of furnishing such bond, to deposit with the Trustee hereinbefore designated to hold fire insurance policies, an amount in cash equivalent to the amount of such required bond, which amount so deposited shall be available to the Lessee for the purpose of paying for the construction of such building or buildings and shall be by such Trustee paid out from time to time on architects' or engineers' estimates in the manner and upon the conditions hereinbefore stipulated in the case of the disbursement by the Trustee of insurance money. The amount of the cash in the hands of the Trustees deposited in lieu of said bond shall be available to the Lessor also as indemnity in lieu of indemnity to be provided for in said bond, and shall, in the event of the Lessee's failure to erect and complete such new building or buildings within the period of eighteen (18) months in accordance with the requirements hereinbefore set forth, be held by the Trustee as security to the Lessor for the continued performance and observance by the Lessee of the covenants of this lease, and no part thereof shall be paid to the Lessee except after the erection and completion of such new building or buildings during the continuance of this lease, and it shall be at the option of the Lessor in the event of such default to terminate this lease and receive and hold the amount of such deposit as liquidated damages resulting to the Lessor from the failure of the Lessee promptly and within a reasonable time to complete such work of construction.

LEASE NOT TERMINATED BY FIRE OR OTHER CASUALTY.

Third: No damage to or destruction of any building on the premises by fire or other casualty shall entitle the Lessee to surrender possession of the demised premises or terminate this lease, any law to the contrary notwithstanding.

ALLOWANCE ACCOUNT OF STRIKES, ETC.

Fourth: Whenever the Lessee, pursuant to any of the provisions of this lease, is required to erect, repair or restore any buildings on the demised premises within a particular time limit or at or before a specified date, if the Lessee shall in good faith be delayed in such work of erection, restoration or repair by any strike, lockout, fire or other casualty, without the fault or neglect of the Lessee, then and in such event the period of delay occasioned by any strike, lockout, fire or other casualty shall be added to the particular time limit otherwise provided for herein, and the Lessee shall not be in default if Lessee shall complete such work of erection, restoration or repair within the stipulated time limit, increased by a period of time equal to such period of delay.

CONCERNING TRUSTEE.

Fifth: Whenever, by the terms of this lease, any services are required to be performed by the .... Trust Company, or any other Trustee provided for herein, the Lessee shall promptly pay and discharge all the reasonable charges of such

Trustee for its services (other than services in collecting or receiving rents) and its reasonable expenses, and shall hold the Lessor harmless therefrom, and shall be responsible for the proper performance of the duties so imposed upon any such Trustee, but it is agreed that in and about the performance of any such services, any such Trustee shall not be liable for any mistake or error of judgment in the discharge of its duties but only for bad faith or gross negligence. Such Trustee shall not be liable or responsible for the collection of any insurance moneys or for the failure or refusal of any insurance company or other insurer to pay any moneys due, or any part thereof, or to pay any such moneys to it or to liquidate any loss in full, but the Trustee shall be liable or responsible only for such insurance moneys as shall actually come into its or its agent's possession, less the proper expense of collection, and it shall not be obligated (though it shall have the right) to examine or inquire into the competency or good repute of any architect or engineer upon whose certificate or estimate it may pay out any insurance moneys, or to examine or inquire into the propriety of the issuance of any certificate or the reliability of any other evidence and vouchers upon which it may pay out any moneys, and which it in good faith believe to be genuine and properly issued, nor shall it be in any way responsible for the proper application of any insurance moneys or other moneys after the same have been disbursed or paid out by it under or pursuant to the provisions of this lease.

CONCERNING MORTGAGE OF LEASEHOLD.

Sixth: The Lessee shall at all times have the right to convey or encumber by mortgage or deed of trust, or other proper instrument in the nature thereof, as security for any actual bona fide debt, his right to use and occupy said leased premises and property, together with his rights and interests in and to all existing buildings and improvements and any buildings and improvements which may be placed thereon by said Lessee; but any and all such conveyances and encumbrances shall at all times be inferior and subject to the prior right, title and interest of the Lessor therein and thereto, as security for the performance of the terms and conditions of this lease.

If at any time after execution and record in the Recorder's Office of .... County, ..., of any such mortgage or deed of trust, the mortgagee or trustee therein shall notify the Lessor in writing that any such mortgage or deed of trust has been so given and executed by the Lessee, and shall at the same time either furnish the Lessor with the address to which he desires copies of notices to be mailed, or designate some person or corporation in the City of ...., Ohio, as his agent and representative for the purpose of receiving copies of notices, the Lessor hereby agrees that it will thereafter mail either to such mortgagee or trustee or to the agent or representative so designated by said mortgagee or trustee, at the address so given, a duplicate copy of any and all notices in writing which the Lessor may from time to time give to or serve upon the Lessee, under and pursuant to the terms and provisions of this lease.

Such mortgagee or trustee may, at his option, at any time before the rights of the Lessee shall have been forfeited to the Lessor, as provided for in this lease, pay any of the rents due hereunder, or effect any insurance, or pay any taxes and assessments, or make any repairs and improvements, or make any deposits, or do any other act or thing required of the Lessee by the terms of this lease, or do any act or thing which may be necessary and proper to be done in the observance of the covenants and conditions of this lease, or to prevent the forfeiture of this lease; and all payments so made, and all things so done and performed, by any such mortgagee or trustee, shall be as effective to prevent a forfeiture of the rights of the Lessee hereunder as the same would have been if done and performed by the Lessee instead of by any such mortgagee or trustee. Any such mortgage or deed of trust so given by the Lessee may, if the Lessee so desire, be so conditioned as to provide that, as between any such mortgagee or trustee and the Lessee, said trustee or mortgagee, on making good and performing any such default or defaults on the part of the Lessee, shall be thereby subrogated to any or all the rights of the Lessee, under the terms and provisions of this lease.

No such mortgagee or trustee of the rights and interest of the Lessee hereunder shall be or become liable to the Lessor as an assignee of this lease, until such time as said mortgagee or trustee shall by foreclosure or other appropriate proceedings in the nature thereof, or as the result of any other action or remedy provided for by such mortgage or deed of trust, or by proper conveyance from said Lessee, acquire the rights and interest of the Lessee under the terms of this lease; but any person or persons, corporation or company, on acquiring the rights and interest of the Lessee under the terms and provisions of this lease, either by judicial sale thereof, made under and pursuant to the terms and provisions of any such mortgage or deed of trust, or as the result of any other action or remedy provided for by such mortgage or deed of trust, or as the result of any legal process or proceedings whatsoever, shall thereby be and become liable to the Lessor for the performance of each and all the terms, provisions and conditions of this lease as fully and completely as is herein provided for an assignee of said lease.

FORFEITURE. Seventh: This lease is granted on the condition that if at any time the rents, taxes, assessments, charges, liens, penalties or damages aforesaid, or any of them or any part thereof, shall become in arrears and be unpaid for the period of sixty (60) days, or if the Lessee shall make default in the giving of bonds of a surety company, in accordance with the terms hereinbefore set forth, and such default shall continue for the period of thirty (30) days after notice in writing thereof shall have been given by the Lessor to the Lessee, or if the Lessee shall make default with respect to the repair, restoration or replacement of any destroyed or damaged building or buildings now or hereafter on such premises, or in the performance or observance of any of the other covenants, agreements or conditions herein set forth to be performed and observed by the Lessee, and such default shall continue for a period of sixty (60) days after notice in writing thereof shall have been given by the Lessor to the Lessee and a copy of said notice shall have been mailed to any mortgagee of the Lessee who has theretofore left a mailing address with the Lessor for such purpose (and such copy of said notice shall only be required to be mailed to the address so furnished), then and in any such event the Lessor at any time thereafter shall have the full right, at its election, upon giving ten (10) days written notice of such election, to enter in, into and upon the above described premises and take possession of the same, together with all buildings and improvements thereon, and, from the time of such entry, this lease shall become void and of no effect, and the Lessor may hold and retain the said premises and all buildings and improvements thereon as of its first or former estate, and this lease shall be forfeited to the Lessor, and the Lessor may bring suit for and collect all of the rents, taxes, assessments, charges, liens, penalties and damages, including damages to Lessor by reason of such breach or default on the part of the Lessee which shall have accrued up to the time of such entry, and the Lessor may, if it elects so to do, bring suit for and collect all such rents, taxes, assessments, charges, liens, penalties, and damages, in the event of any default as aforesaid, without voiding this lease; provided, however, that any surety of the Lessee under the provisions of this lease, or any mortgagee of any interest under this lease, may avoid forfeiture of this lease, as herein provided, by satisfying and curing, prior to the expiration of the sixty (60) day period at the termination of which the right of forfeiture may be exercised, the default consequent whereon such right of forfeiture shall accrue.

WAIVERS. Eighth: No waiver by the Lessor of any default or breach of any covenant, condition or stipulation herein contained shall be treated as a waiver of any subsequent default or breach of the same or any other covenant, condition or stipulation hereof.

NOTICE. Ninth: All notices which may be proper or necessary for the parties hereto to serve upon each other may, in case the one to be notified be at the time a non-resident of or absent from the City of ...., be effectually served by delivering the same to said The .... Trust Company, so long as no other company or agent, resident of such city, shall be, by written notice served upon the other, designated; and after such designation and until further appointment, by delivering the same to the company or agent thus designated.

DEMAND FOR RENT. Tenth: Every demand for rent made after it falls due shall have the same effect in law as if made on the day and at the time it falls due, any law of the land to the contrary notwithstanding.

ADJUSTMENT OF INTERESTS IN LAND AND BUILDINGS AT END OF TERM. Eleventh: Not more than eighteen (18) months nor less than one (1) year prior to the expiration of this lease, the Lessor and the Lessee each may notify the other in writing that an appraisal is desired as hereinafter provided for; thereupon, within a period of thirty (30) days two resident owners of real estate in the City of .... shall be chosen as appraisers, one to be chosen by the Lessor and one by the Lessee, and within a period of thirty (30) days thereafter a third appraiser shall be selected by the two so chosen. If either of the parties hereto shall have failed to make such choice within the time herein provided, or if the two appraisers so chosen shall fault to select a third within the time herein provided, then the party not in default in selecting an appraiser, or other party hereto in the event that the two appraisers so chosen shall have failed to select a third, may upon five (5) days written notice to the other party request the Probate Judge of .... County, Ohio, or in the event that there shall be no such judge, the judge then for the longest continuing period having occupied the position of judge of the court having probate jurisdiction in .... County, Ohio, and in the event that there shall be more than one such judge, then the oldest of such judges, to choose an appraiser or appraisers to fill the vacancy or vacancies. Such judge may thereupon appoint a disinterested resident owner or owners of real estate in the City of ...., Ohio, to be such appraiser or appraisers. Said three appraisers shall proceed forthwith to make, and report to both the Lessor and the Lessee, two (2) findings; first, they shall appraise and fix the amount which the buildings upon said premises in their then condition shall be found to add to the value of the land for the general purposes for which said land is then adapted and the amount of such appraisal when so fixed in writing and signed by the three appraisers or any two of them shall be taken as the true value of said buildings and improvements; second, said appraisers shall fix and determine the fair market value of the fee of the land hereby leased, irrespective of any improvements thereon and irrespective of this lease, which value when so fixed and signed by the three appraisers or any two of them shall be taken as the fair market value of the land at the termination of this lease.

When such appraisers shall have determined and reported the value of said buildings and improvements and the value of the land as hereinbefore provided, the Lessor shall have the privilege and option, to be exercised by it within sixty (60) days after receiving from the appraisers such report of valuation, to purchase the buildings and improvements upon said premises at such appraised value. If the Lessor elects to purchase said buildings and improvements, it shall so notify the Lessee in writing within said sixty (60) days period and at the expiration of this lease the premises, with all buildings and improvements thereon shall be turned over to the Lessor by the Lessee free and clear of all liens and encumbrances upon the Lessor's paying the value of the buildings and improvements as so determined. The Lessee in such event shall execute and deliver to the Lessor such conveyances as may be necessary to fully vest the record title to said buildings and improvements in said Lessor, and shall pay the cost of extending the abstract of title to said premises to show that the interest of the Lessee is free and clear of all liens and encumbrances.

If the Lessor shall not elect to purchase said buildings, and improvements within the time herein provided, said Lessee shall have two options, to be exercised within sixty (60) days after notice of the Lessor's election not to purchase the buildings and improvements, and in any event, within one hundred and twenty (120) days after receiving from the appraisers the valuation of said land.

First: The Lessee may elect to have a new lease executed by both parties hereto, containing provisions similar to those in this lease, except that the annual rental shall be six per cent. (6%) of said new valuation of said land, and in no event less than .... Dollars ($.......), which rental shall be payable in gold coin of the United States of America or its equivalent as hereinbefore provided. In event of such election by the Lessee, it shall so notify the Lessor in writing within the said Lessee's option period, and upon failure of the Lessor to execute such lease after receiving such notice, this lease shall continue to operate as extended for a further period of ninety-nine (99) years upon the same covenants and conditions herein contained, except as to option to purchase within five (5) years hereby granted to the Lessee.

Second: The Lessee may elect to purchase the land at the appraisal price so fixed, and in such event shall so notify the Lessor in writing within said Lessee's option period; thereupon, at the expiration of the terms of this lease, the Lessor shall transfer said premises by good and sufficient warranty deed, warranting the premises to be free of all liens and encumbrances except those assumed or created by the Lessee. Such warranty deed shall be accompanied by abstract of title showing title to said premises to be as aforesaid, said deed and abstract of title to be delivered upon the expiration of this lease and upon the payment by the Lessor to the Lessee of the purchase price of said land.

If the Lessor shall not elect to purchase said buildings and improvements and the Lessee shall not elect to have the lease renewed as hereinbefore provided or to purchase said land as hereinbefore provided, the Lessee shall thereupon forfeit all right to said premises and the buildings and improvements thereon upon the termination of this lease and without compensation to the Lessor.

LESSEE KNOWS CONDITION OF PREMISES AT BEGINNING OF TERM.

Twelfth: The Lessee has examined and knows the conditions of the above described premises and has received the same in good order and repair and no representations as to the condition or repair thereof have been made by the Lessor or by any agent of the Lessor.

SUBJECT TO RIGHTS OF TENANTS IN POSSESSION.

Thirteenth: This lease is made subject to the rights and leases of tenants already in possession of said premises and such rights and leases shall not under any circumstances or conditions be held as a violation of the Lessor's covenant hereinbefore contained as to peaceful and uninterrupted occupancy of said premises by the Lessee, and the Lessee hereby assumes all liability of the Lessor on account of such rights and leases of tenants now in possession of said premises, but until the Lessee shall make default under the terms of this lease, the Lessee shall be entitled to receive all rents, income and profits accruing or which would accrue to the Lessor under the terms of said leases to said occupying tenants.

IN WITNESS WHEREOF, the above named Lessor and Lessee have hereunto set their hand, by their proper officers, and caused their corporate seals to be hereto affixed, this.................. day of .... A. D., 1921.

	THE...................................CO.
Signed and delivered by The........	By ....
.... Company	(President)
in the presence of:	....
	(Secretary)
....	LESSOR
....	....
Signed and delivered by The........	By ....
.... Company	(President)
in the presence of:	....
....	(Secretary)
....	LESSEE

(Acknowledgements)

NINETY NINE YEAR LEASE

(NOTE—This is the famous "sky lease" executed in the city of Cleveland, whereby the space above a prominent Euclid Avenue building was leased for ninety-nine years to the Cleveland Athletic Club.)

THIS INDENTURE OF LEASE, made at the City of Cleveland, County of Cuyahoga, and State of Ohio, this 28th day of April, A. D. 1910, by and between WILLIAM M. BROWN, of New Castle, State of Pennsylvania, party of the first part (hereinafter referred to as the "Lessor"), and THE CLEVELAND ATHELETIC ASSOCIATION COMPANY, an Ohio corporation, party of the second part, (hereinafter called the "Lessee").

WITNESSETH: That, Whereas, the Lessor is the owner of a certain leasehold estate in the premises hereinafter described, which estate is created by a certain lease from The Commercial Real Estate Company of Cleveland, Ohio, dated March 10, 1909, upon which premises the Lessor has in course of construction a five (5) story building of such design, construction and character and resting upon such foundations as will carry the weight of additional stories; and,

Whereas, The Lessee desires to acquire the right to construct and maintain upon said building now in course of erection by said Lessor and upon any other building which may hereafter be constructed or erected upon said premises additional stories and improvements, together with the right of suitable access thereto, and

Whereas, the undersigned, Henry L. Cross, claims to be the owner of the westerly one hundred (100) feet of said premises and has brought suit in the court of Common Pleas of Cuyahoga County, Ohio, to secure the possession thereof;

Now, therefore, the parties hereto have agreed and do hereby agree as follows:

The said Lessor has demised and leased and by these presents does demise and lease unto the said Lessee a part of the following described premises:

(Premised Described Here)

Together with the right to construct and maintain a stairway and entrance six (6) feet in width from said alley in the rear for the purpose of ingress and egress to basement space, also the right of ingress and egress at all times through an entrance and lobby along the westerly side upon the first or ground floor of any building now or hereafter constructed upon the premises beneath said plane, which entrance and lobby shall be about twelve (12) feet in width, extending back from Euclid Ave. a distance of twenty-seven (27) feet, and thence about fifteen (15) feet in width for a further distance of forty-five (45) feet; and the right to use at all times a stairway leading from the basement floor underneath said entrance and lobby to premises of the Lessee above said plane in any building now or hereafter constructed upon the premises beneath said plane; together with the right to enter upon said space and stairways for the purpose of repairing and renewing the construction thereof, in the event that said Lessor shall fail to perform his covenants hereinafter contained in respect thereof. Such rights of ingress and egress through said entrance and lobby and use of said stairway, however, are not enclusive and are subject to the terms and conditions hereinafter set forth.

TO HAVE AND TO HOLD, the above leased and demised premises, rights and easements unto the said Lessee for and during the term of ninety-eight (98) years, beginning on the fifteenth day of April, A. D. 1910, and ending on the fourteenth day of April, A. D. 2008, at and upon the following terms and subject to the covenants, conditions and stipulations hereinafter expressed and declared of and concerning the same, that is to say:

I.

The Lessee shall pay or cause to be paid unto the Lessor, his heirs, executors, administrators, or assigns, rental as follows:

The sum of fifteen thousand dollars ($15,000) each and every year throughout the term of this lease, payable in quarterly installments of thirty-seven hundred and fifty dollars ($3,750) each in advance, upon the fifteenth day of April, July, October and January of each year. All rents accruing under the lease shall be paid in gold coin of the United States of America of the present standard of weight and fineness or its equivalent to the Lessor at The Guardian Savings & Trust Company, in the City of Cleveland, Ohio, or at such other place in said city as may be designated by the Lessor, his heirs or assigns, in writing, from time to time.

II.

As part of the consideration for this lease and in addition to the rents hereinbefore reserved, said Lessee hereby covenants and agrees to indemnify and save harmless the Lessor from all taxes, assessments and charges legally levied or assessed upon this lease, the premises leased and demised herein, and the rents thereon or therefrom, and the improvements or any of them now or hereafter thereon, and free and harmless from all charges, liens, penalties and claims for damages incurred by the Lessee and chargeable to or payable for in respect of said premises hereby leased or this lease or the estate hereby created during the entire term hereof, including the taxes and assessments for the year 1910; provided, however, that said Lessee shall not be chargeable with or obliged to pay any income tax which may at any time be charged upon said leased premises or the improvements thereon or this lease or the estate hereby created or the debts accruing hereunder except such inheritance tax or income tax as may be charged upon the Lessee's interest or estate in the leased premises or the additional stories and improvements thereon, which last mentioned taxes or charges the Lessee also agrees to pay; and said Lessee hereby covenants and agrees to punctually pay the said rents above provided for and all such taxes, assessments and other charges as aforesaid and upon application of said Lessor in writing to furnish said Lessor with written evidence duly certified that any and all such payments are duly satisfied.

It is expressly understood and agreed that the Lessee shall pay no portion of the taxes and assessments levied and assessed against said substructure underneath said plane or the ground upon which it stands, and if it shall be found to be impossible to secure for purposes of taxation a separation of said additional stories and improvements from the substructure, the Lessee shall pay such proportion only of the taxes upon the entire structure as the cost of said additional stories and improvements bears to the cost of the entire structure.

The said Lessee hereby agrees to perform and fully obey and comply with all lawful requirements, rules, regulations, laws and ordinances of all legally constituted authorities in any way affecting this lease, and the premises hereby leased, the additional stories and improvements upon the same or the use thereof, existing at any time during the continuance of this lease, and to permit no unlawful occupation to be carried on upon said premises and no use to be made of any part thereof contrary to any valid law or ordinance governing the same.

Said Lessee hereby covenants and agrees to erect upon said premises above said plane a suitable building conforming in outward appearance and substantial construction with any building shall cost not less than one hundred thousand dollars ($100,000) and be ready for use and occupancy on or before the first day of July, A. D. 1912, unless prevented by strikes (on or before the) lockouts, fires and other occurrence unavoidable by the exercise of ordinary care, using however, due diligence, and unless prevented by the Lessor from so doing by his failure to perform any of the covenants herein contained to be performed by him, and free from all liens, except mortgage or incumbrance necessary to secure a loan.

The Lessee covenants and agrees that it will at all times keep said additional stories and improvements in good repair; that no waste, actual or permissive, shall be committed thereon and that, in case said additional stories and improvements are removed or destroyed, for the purpose of reconstruction before such removal and reconstruction shall be commenced, the Lessee will deposit with The Guardian Savings & Trust Co., as Trustee, or such other trust company in Cleveland, Ohio, as the Lessor may from time to time designate in writing to the Lessee, a sum not less than fifty thousand dollars, ($50,000.00), which sum shall become absolutely the property of said Lessor if the Lessee fails to rebuild and restore said superstructure within a period of two (2) years, unless delayed by strikes, fires or other causes above mentioned, exercising, however, due diligence, and unless prevented by the Lessor from so doing by his failure to perform any of the covenants herein contained to be performed by him.

In the event that said Lessee begins to reconstruct and repair said buildings and after fifty thousand dollars ($50,000) shall have been expended by the Lessee in such reconstruction the said Trustee shall from time to time, upon the certificates of the architect in charge of said reconstruction, make payments upon the cost of said reconstruction and improvements until the said sum of fifty thousand dollars ($50,000.00) so paid to said Trustee, less its reasonable charges, has been expended in connection therewith. The total cost of any such reconstruction of additional stories and improvements shall not be less than the sum of one hundred thousand dollars ($100,000.00). The Lessee, however, shall have the right to make ordinary improvements, alterations and repairs without notice to or consent of the Lessor.

The Lessee further covenants and agrees that, in constructing said additional stories and improvements, it will wholly protect the properties next adjoining the leased premises above said plane and that it will protect and save harmless the owners of said adjoining properties from all such loss, cost or damage by reason of such construction for which said Lessee is found to be legally liable.

The Lessor hereby covenants and agrees to, and does hereby grant to the Lessee the right at all times during the continuance of this lease to enter upon said such portions of the fifth (5) story of said building of the Lessor now in course of construction and of any building hereafter constructed by him and underneath said plane and to use the building construction there found for the purpose of securely anchoring and permanently attaching and joining thereto such additional stories and improvements to said Lessee in such manner as its architect may deem necessary or desirable repairing all damage which may thereby be done to the said structure, and the right to enter upon the space heretofore described as an entrance and lobby, said stairways and that portion of the shafts underneath said plane in which the elevators hereinafter mentioned are to be installed, for the purpose of bringing upon the premises hereby leased building materials in such quantities as may be reasonably necessary to facilitate the work of construction, renewing and reconstruction such additional stories and improvements and the right to hoist to the premises above said plane such building materials at all times during such construction renewal and reconstruction from the alley in the rear and from such other places about said premises as the Lessor may designate, but the Lessee shall not otherwise in any manner disturb any part of said substructure or interfere with the free, peaceable and uninterrupted possession and occupancy thereof by said Lessor or by any of his tenants or by any persons holding through or under him; and the Lessee further covenants and agrees that it will at all times during the construction of said additional stories and improvements keep and maintain a suitable roof or other protection over the premises of the Lessor's substructure, so as to fully protect all parts thereof and all property and persons therein from the elements, acts of God excepted, and from casualties and accidents of every kind caused by the Lessee, its agents, servants and employees, or by any persons or person engaged in the construction of its additional stories and improvements; and upon final completion thereof, the Lessee agrees to keep and maintain at all times during the term of this lease a suitable roof of a permanent character upon its additional stories and improvements and sufficient to fully and adequately protect any substructure of the Lessor and all property and persons therein from the elements, acts of God excepted, and to indemnify and save harmless the Lessor and his tenants, and all persons holding by, through or under him from any and all loss, cost, damage or expense caused by or arising from the happening or existence of any of the above described events or the failure or refusal of the Lessee to perform or comply with all of the terms, conditions and covenants of the Lessee contained in this paragraph.

IV.

The said Lessee further covenants and agrees to keep all additional stories and improvements which may at any time be upon said premises above said plane insured against fire in responsible insurance companies to the satisfaction of the Lessor in an amount not less than eighty per cent (80%) of the full insurance value of the same, with a clause in the policies providing that the loss, if any, in an amount not to exceed one hundred thousand dollars ($100,000.00) shall be payable to The Guardian Savings & Trust Company as Trustee or to such other trust company in Cleveland, Ohio, as the Lessor may from time to time designate in writing to the Lessee, and in case of loss, said Trustee shall hold all money paid under such policies as a security for the payment of rents, taxes, assessments and other charges agreed as aforesaid to be paid by the said Lessee and as a security for the repair of such loss or the re-building of said additional stories or improvements. When the Lessee shall furnish to said Trustee vouchers approved by the architect in charge, showing the expenditure by said Lessee in such repairing or rebuilding of any sums of money, said Trustee shall from time to time pay to the said Lessee from the insurance moneys so held by it, upon such vouchers, sums which in the aggregate equal the amount of insurance so received for such loss and paid to said Trustee as aforesaid, less its reasonable charges, together with such interest at the prevailing savings bank rates in the City of Cleveland as may have accrued thereon. In case the Lessee shall fail to restore or rebuild such additional stories and improvements within two (2) years from the date of their damage or destruction, unless prevented by the causes above mentioned, exercising, however, due diligence, or unless prevented by the Lessor from so doing by his failure to perform any of the covenants herein contained to be performed by him, then at the option of the Lessor, this lease may be cancelled, and such insurance money shall be paid over to said Lessor by said Trustee as liquidated damages for the breach of the covenants and conditions herein contained; and in case said Lessee shall fail to insure said premises as hereinbefore provided, the said Lessor may procure insurance on said (premises) additional stories and improvements in any sum not exceeding one hundred thousand dollars ($100,000.00) and collect from said Lessee the premiums paid therefor as is herein provided for the payment of rent, taxes, and assessments. It is understood and agreed that the policies of insurance herein provided for shall be held for the parties hereto by The Guardian Savings & Trust Company, or such other responsible depositary in Cleveland, Ohio, as may be designated by the Lessor in writing from time to time, and shall be accessible to the parties hereto for the inspection renewals and other necessary purposes.

No damage or destruction of any improvements now or hereafter erected upon the premises above said plane hereby leased by fire or other casualty shall be taken to operate so as to entitle the Lessee to surrender the possession of the leased premises or terminate this lease unless the Lessee is prevented from repairing said damage or from rebuilding said additional stories and improvements by the failure of the Lessor to perform any of the covenants herein contained to be performed by him.

V.

It is further covenanted and agreed that the Lessee shall not have the right to assign or transfer this lease at any time except with the Lessor's consent in writing. Unless the rents and all charges, taxes, assessments, liens, penalties and claims for damages of every name and nature which the Lessee has herein covenanted to discharge shall have been duly discharged and satisfied; nor unless said Lessee shall have erected and made upon said premises additional stories and improvements or construction of the value of not less than one hundred thousand dollars ($100,000.00) as above provided; nor unless the assignee shall expressly assume said Lessee's engagements hereunder; nor unless the Lessee shall have (the) first placed in the hands of The Guardian Savings & Trust Company or such other responsible bank or trust company in Cleveland, Ohio, as shall be designated in writing by said Lessor, for his inspection during a period of ten (10) days, a legal and sufficient instrument of assignment and acceptance which shall, before its execution, be in legal and sufficient form; nor unless by instrument recorded at or about the time of delivery in the proper recorder's office; provided, however, that the Lessee may at any time directly or by conveyance in trust for that purpose mortgage or incumber its estate in the leased premises to secure any actual debt.

It is further covenanted and agreed that no assignment hereof shall be made, except in accordance with the above stipulation or by way of devise or descent, but after such assignment upon the conditions hereinbefore stipulated there shall exist no further liability under the lease against the assignor, or its successors, and it and they shall be free and discharged from all and every obligation and liability hereunder.

VI.

It is agreed that the whole amount of rent reserved or agreed to be paid hereunder, and all moneys due hereunder by reason of any covenant of the Lessee herein are and shall always be a valid and first lien upon said additional stories and improvements and upon the interest of the Lessee in said leased premises and in this lease. The Lessee covenants and agrees to pay and indemnify the Lessor from all legal costs and charges, including counsel fees lawfully and reasonably incurred in and about the premises in the defense of any suit, in discharging the premises or any part thereof from any liens, judgments or incumbrances suffered or incurred by said Lessee or in obtaining possession after default of the Lessee or upon the expiration of the term thereof.

VII.

The Lessor hereby agrees that at the expiration of the term of this lease, to wit, the fourteenth day of April A. D. 2008, the Lessor will take such additional stories and improvements of the Lessee as shall then be remaining upon its said premises, and will pay said Lessee therefor whatever said additional stories and improvements shall be found to add to the value of the Lessor's premises underneath said plane for the general purpose to which the entire property is then adapted. The amount to be paid for said additional stories and improvements, unless mutually agreed upon by the parties hereto, shall be determined by appraising in the following manner: Said Lessee shall notify said Lessor in writing at the place then designated for the payment of rents, as herein provided within six (6) months prior to the expiration of the term of this lease, and prior to the first day of January A. D. 2008, of the Lessee's desire to have the amount which said additional stories and improvements shall be found to add to the value of the premises underneath said plane, and said parties hereto shall fail to agree upon such amount within thirty days after such written notice, then said Lessor and said Lessee shall, within the next thirty days, each select one disinterested resident owner of real estate in said City of Cleveland, Ohio, and shall thereupon notify the other party of such choice, and if either of said parties shall fail to make such choice and to so notify the other within the time of said thirty days, then the party who has so chosen and given such notice shall upon the expiration of said thirty days, notify the Probate Judge of Cuyahoga County, Ohio, to choose another such owner of real estate and the two in either manner so chosen shall choose a third such real estate owner, and these three in either manner shall appraise and fix the amounts which said additional stories and improvements in their then condition shall be found to add to the value of the premises underneath said plane for the general purposes for which said property as a whole is then adapted, and the said amounts so fixed in writing and signed by three or (more or) any two of said appraisers shall be taken as the true value of said additional stories and improvements to be paid therefor as aforesaid by the said Lessor to the said Lessee upon the termination of this lease, and until paid the Lessee shall have a lien upon said leased premises and upon all sums to be paid to said Lessor by said The Commercial Real Estate Co. upon the termination of its said lease to him dated March 10, 1909, in accordance with the agreement therein contained of said The Commercial Real Estate Co. to purchase the buildings and improvements then remaining on said land.

In case no appraisement of such value of said additional stories and improvements shall be made as aforesaid within three months after the termination of this lease, as herein provided for, then said additional stories and improvements shall be forfeited to and become the property of the said Lessor unless the failure to have such appraisal shall have been caused by the Lessor or by the appraisers selected under the terms hereof, or by some cause or event beyond the control of the parties hereto.

RENEWAL OF TERM.

VIII.

It is further expressly understood and agreed by the said Lessor and the said Lessee that the said Lessor may at the expiration of the term of this lease avoid the above obligation to take and pay for said additional stories and improvements by said Lessor and Lessee electing to extend and renew this lease for a period of ninety-nine (99) years from and after the expiration of the term hereby granted, but said right to be relieved from said obligation to pay for said additional stories and improvements shall be and is upon the condition that said Lessor shall, within two (2) years prior to the expiration of the term of this lease and on or before the thirty-first day of October, A. D. 2007, notify the said Lessee in writing of the Lessor's desire to so extend and renew this lease, and in the event said Lessor and Lessee shall so elect to extend and renew this lease, the rental to be paid during said renewed period shall be mutually agreed upon between the Lessor and Lessee.

In case the Lessor and Lessee fail to agree as to such rental within thirty (30) days after the giving of such notice by the Lessor of such desire to renew, then such rental shall be determined by appraisement in the following manner: Notice shall be given to the other party by the party desiring such appraisement and appraisers shall be appointed prior to the thirty-first day of January, A. D. 2007, in the manner hereinbefore specified for the appointment of appraisers for building, and the appraisers so elected shall proceed to fix and determine the rental value per annum of the premises, rights and easements hereby demised and leased for the period of such renewed term of ninety-nine (99) years, irrespective of any buildings or improvements thereon, and the valuation determined by said three (3) appraisers or any two of them which valuation shall be reported in writing by the appraisers to the Lessor and Lessee, shall be conclusive and binding upon the parties hereto and shall be the rent of said premises for said renewed term of ninety-nine (99) years and shall be payable quarterly in advance upon the terms and conditions in this lease set forth; provided, however, that, upon the receipt of the report of said appraisers so fixing said rental value, said Lessee shall have the right within thirty (30) days after the receipt of such report, to elect whether said Lessee will accept such extension and renewal, and, in case said Lessee shall elect not to accept such renewal and extension or fail to notify said Lessor of its election to accept such extension and renewal within thirty (30) days after the receipt of said report, then this lease shall terminate at the expiration of the term hereby granted and the Lessor shall be obliged to purchase the said additional stories and improvements in accordance with the terms and conditions hereinbefore provided.

IX.

This lease is made upon the condition that the Lessee shall perform all covenants and agreements herein set forth to be performed by said Lessee, and, if at any time the rent, taxes, assessments and other charges and payments aforesaid, or either of them, or any part thereof, shall become in arrears and unpaid for the period of sixty (60) days after becoming due, or, if any of the covenants and agreements aforesaid shall not be performed as hereinbefore stipulated and agreed to be performed by said Lessee for a period of sixty (60) days, the said Lessor at any time thereafter, provided that he himself is not then in default in the performance of any of the covenants and conditions contained in his said lease from said The Commercial Real Estate Co. dated March 10, 1909, shall have full right, at his election, upon the Lessee's failure to cure such default after thirty immediate (30) days' written notice, to enter upon the above described premises and take immediate possession thereof and bring suit for and collect all rents, taxes, assessments, payments or other charges which shall have accrued up to the time of such entry, and thenceforth, from the time of such entry, this lease shall become void to all intents and purposes whatsoever and this lease and all improvements made on said premises shall be forfeited to the said Lessor without compensation therefor to the Lessee; provided also that, for rents due and non performance of other conditions, the Lessor may sue at once and not enter into possession upon forfeiture, except as above provided.

X.

The said Lessor further covenants and agrees to finish the building now in course of construction upon the premises underneath said plane in accordance with the general plans made by J. Milton Dyer, Architect, except as to sprinklers, and in accordance with the contract now existing between the said Lessor and The Reaugh Construction Co. and further agrees to install in the westerly side of said building and in the spaces leading upward from the entrance and lobby hereinbefore mentioned, in accordance with the plans and specifications prepared by said Architect and in the additional stories to be added by said Lessee to said building now in course of construction by said Lessor, two electric elevators of such design and pattern as shall be approved by said Lessee and of such size as can be conveniently operated in the spaces now prepared for the same in said substructure and enclosed in said basement and ground or first floor by suitable iron or grill work in accordance with said plans and specifications of the said J. Milton Dyer, Architect, together with all necessary equipment, which elevators and equipment shall not cost more than eight thousand dollars ($8,000) and shall be installed at such time before the completion of said additional stories as the said Lessee shall require, and shall be delivered to the said Lessee in good running order for its sole and exclusive use during the term thereof, the Lessee to maintain, renew and operate the same, however, as its own.

The said Lessor further covenants and agrees to, and does hereby grant unto the Lessee the right at any time during the term thereof, to install, maintain, renew and operate for its sole and exclusive use a third elevator, similar in design, size and pattern to those so to be installed by him and adjoining them in such convenient place as the said Lessor may designate, together with the right to use like spaces for the installation and use of such elevators in any building which may hereafter during the term hereof be erected beneath said place, which space will be finished by the Lessor in a manner suitable to receive such elevators.

The said Lessor also covenants and agrees to, and does hereby grant to the said Lessee the right to use all such pipes and conduits for gas, water, sewer and electric wiring which shall be constructed or installed by the Lessor in any building underneath said plane in any manner which may be necessary for the convenient use of the additional stories and improvements so to be by the Lessee and which will not interfere with their convenient use by said Lessor or his tenants; also the right to install, maintain and renew in any building of the Lessor now or hereafter constructed beneath said plane from the top thereof to the basement all such additional pipes and conduits for gas, water, sewer and electric wiring as may be necessary or convenient for the service and use of those occupying the additional stories and improvements of the Lessee so to be erected by it, such additional pipes and conduits to be placed alongside similar pipes, and wiring so installed or so to be installed by the Lessor, which additional pipes and conduits shall be installed at such times and in such manner as not to unnecessarily interfere with the use and enjoyment of the premises underneath said plane by the Lessor and his tenants; but including the right to enter upon said premises to the Lessor at all reasonable times during the term hereof for the purpose of maintaining, repairing and renewing said additional pipes, conduits and electric wiring and keeping the same in good order and repair; also the right to enter upon such portions of the fifth story of said building of the Lessor now in course of construction and of any building hereafter constructed underneath said plane and use the building construction there found for the purpose of securely anchoring and permanently attaching and joining thereto such additional stories and improvements of said Lessee in such manner as its architect may deem necessary or desirable, repairing all damage which may thereby be done to said substructure.

The Lessor also covenants and agrees to maintain in and about said substructure such fire escapes as may be required by law to be used in connection with such as may be so required for said superstructure.

The Lessor covenants and agrees to maintain said entrance and lobby, stairways and elevator shafts in his building now in course of construction or in any building hereafter erected by him underneath said plane in good condition and repair during the term hereof, and agrees that he will make no use of such entrance and lobby which may be unsuited to or be out of keeping with the purposes for which said additional stories and improvements of the Lessee may be used, and further agrees at all times during the term hereof to maintain the foundations and building on his premises underneath said plane in such condition and repair as will at all times adequately carry and support stories and improvements of the Lessee so to be erected by it or at any time during the term hereof erected by it; and in case substructure of the Lessor is destroyed by fire or other casualty to such an extent that the superstructure or a material part thereof becomes uninhabitable, the Lessor agrees to rebuild said substructure and restore it to as good conditions as it was in prior to such destruction within a period of one year thereafter, unless delayed by strikes, lockouts, fires or other casualties unavoidable by the exercise of ordinary care, using, however, due diligence, and failing to so rebuild and restore said substructure, the said Lessee shall at its option be relieved from all the covenants herein contained to be performed by it and may terminate this lease, whereupon all sums held by the said The Guardian Savings & Trust Co., as trustee, or such other trust company designated as Trustee, as is herein provided, shall be paid over to the Lessee, or it may at its option hold the Lessor liable in damages.

In the event that said Lessee at any time during the term hereof desires and expresses its intention to erect additional stories and improvements upon the premises herein leased above said plane to a height not exceeding said maximum height of two hundred feet, or desires and expresses its intention to add additional stories and improvements to its construction then on the premises hereby leased above said plane whereby said construction is increased to a height not exceeding said maximum height of two hundred feet and is prevented from doing so because the character of the construction then on the premises underneath said plane does not conform to the ordinances and laws then in force relating to building of the height proposed, then the Lessor, at his own cost and expense, agrees to make the necessary changes in said substructure to conform to such ordinances and laws, which changes shall be made and completed by said Lessor within six months after receiving written notice by said Lessor of its said desire and intention, provided, however, that said Lessor shall not be required to make such changes unless the Lessee shall proceed at once upon giving such notice to make whatever changes may then be necessary in its superstructure to so conform to such ordinances and laws.

In case said Lessor desires to install a sprinkler system in the building now in course of construction underneath said plane, the Lessee hereby grants to the Lessor the right to extend above said plane all pipes in such manner as the Architect of the Lessee shall direct with any tanks, swimming tanks or pools installed in said superstructure by said Lessee, also the right to use so much of the water in said tanks, swimming tanks or pools as may be necessary for the operation of said sprinkler system.

Inasmuch as the said contract between the Lessor and said The Reaugh Construction Co. provides for certain construction above the girders at the top of the fifth story of said building now in course of construction by said Lessor, including a permanent roof, which construction will be unnecessary for the and unsuited to the uses of the lessee in the erection of said superstructure, it is now agreed by the said Lessor that the..shall pay the full amount due said The Reaugh Construction Co. upon its said contract, and, in case the Lessee in contracting for the erection of its said additional stories and improvements can secure from the Reaugh Construction Co. or any other contractor any credits, rebates or salvage on account of the work omitted from said contract between the Lessor and said The Reaugh Construction Co. it may do so and shall receive the entire benefit thereof, provided the Lessee shall pay any additional cost and expense of doing work not provided for in said contract between the Lessor and said The Reaugh Construction Co. and made necessary by the erection of its additional stories and improvements.

LESSOR'S DEFAULT.

XI.

The Lessor covenants and agrees that he will perform all the covenants and agreements contained in his said lease from said The Commercial Real Estate Co. dated March 10, 1909, and upon his failure to so perform for a period of thirty days any of the covenants and contained in his said lease from the Commercial Real Estate Co. whereby said lease may become void and the improvements of the Lessor may become forfeited or be in danger of becoming forfeited to said The Commercial Real Estate Co. the Lessee herein may perform said covenants and agreements, whereupon the Lessee herein, if it so elects, shall be subrogated to all of the rights and privileges of the said Lessor (The Commercial Real Estate Company's Lessee) in said lease, and this lease shall become void and all improvements made on said premises by said Lessor (The Commercial Real Estate Co.'s Lessee) shall be forfeited to the Lessee herein without compensation therefor to the said Lessor herein, and the Lessor herein shall thereupon assign to the Lessee herein his said lease from said The Commercial Real Estate Co., provided also that for all sums paid by the Lessee herein in curing said defaults the Lessee herein may sue at once without entering into possession upon forfeiture and any failure of the Lessee herein to make such performance and cure such defaults shall not be a waiver of such right upon the happening of any subsequent default.

The Lessor covenants and agrees that if any of the covenants and agreements herein contained to be performed by him shall not be performed as herein stipulated and agreed to be performed by said Lessor for a period of sixty days, the Lessee, provided that it itself is then not in default in the performance of any of the covenants and conditions herein contained to be performed by it, shall have the full right at its election (upon the Lessor's failure to cure such default after thirty days' written notice) to terminate this lease and if it so elects, it shall be subrogated to all the rights and privileges of the said Lessor (The Commercial Real Estate Co.'s Lessee) in said lease, and all improvements made on the said premises by said Lessor, (The Commercial Real Estate Co.'s Lessee) shall be forfeited to the Lessee herein without compensation therefor to the said Lessor herein, and the Lessor herein shall thereupon assign to the Lessee herein his lease with said The Commercial Real Estate Co. and any failure of the Lessee herein to exercise such option upon the happenings of any such default shall not be a waiver of such right upon the happenings of any subsequent default.

XII.

In the event that the Lessor at any future time during the continuance of this lease shall become the owner of a freehold estate in the land or any part thereof upon which said substructure or any part thereof is now being built, and in that event and upon his failure to perform for a period of sixty days any of the covenants and agreements herein contained to be performed by said Lessor, and said Lessee, upon the Lessor's failure to cure such default after thirty days' written notice, provided that it itself is then not in default in the performance of any of the covenants and conditions herein contained to be performed by said Lessee, may at its option terminate this lease, whereupon said Lessor shall pay to said Lessee the cost of its said additional stories and improvements then on the premises herein leased and all damages which it may have sustained, and said Lessee shall have lien upon said land so owned by said Lessor and upon all improvements thereon for such cost and damages until paid, and any failure of the Lessee herein to exercise such option upon the happening of any such default shall not be a waiver of such right upon the happening of any subsequent default.

XIII.

The Lessor further covenants and agrees, in case the Lessee shall so elect, to include as a part of the leased premises the following to wit:

A space of twelve feet in width and fifty feet in length, extending from the rear wall and along the west wall in the basement of the building now in course of construction, and of any building which may hereafter be constructed underneath said plane; a space twelve feet in width and twenty feet in length extending from the rear wall and along the west wall out of the first story of any such building; and a space eight feet in width and twenty feet in length, extending from the rear wall and along the west wall out of the second, third, fourth and fifth stories of any such building for the purpose of constructing, maintaining and providing therein a service elevator and stairway; provided however, that said Lessee shall exercise its right to do so, within thirty days from the date hereof, and in the event it elects to include such space as a part of the premises hereby leased, then, and in the event, it covenants and agrees to pay as rent threfor the sum of five hundred ($500) dollars per annum, in addition to the rentals hereinbefore reserved, payable at the time and in the manner hereinbfore provided for the payment of rentals in this lease.

"QUIET ENJOYMENT"

XIV.

The said Lessor hereby covenants to and with the said Lessee that, if the rents, taxes and assessments and other charges aforesaid shall be paid as hereinbefore provided and all of the aforesaid agreements, covenants, conditions and stipulations shall be performed by the Lessee as hereinbefore provided, the said Lessee shall have the peaceable possession and enjoyment of the premises herein leased, without let, hindrance, or disturbance of any person whatsoever to the end of said term, and throughout the term hereof, said entire building, including substructure and superstructure may be named and known by suitable marks of designation, properly displayed as "The Cleveland Athletic Club Building" if the Lessee so desires.

XV.

All notices to be given hereunder shall be in writing and shall be given by delivering the same to the Lessor or Lessee, as the case may be, at the place where the rent hereby reserved is then payable, and at the same time by mailing copies of the same to the Lessor or Lessee, as the case may be, at his or its address as left by them, or either of them, at such place; and, if either the Lessor or Lessee fails to leave such address at such place, then the delivery of said notice or notices at such place shall be sufficient for all purposes whatsoever.

XVI.

No waiver of any breach of any covenant, condition or stipulation hereunder shall be a waiver of any succeeding breach of the same covenant, condition or stipulation.

XVII.

The covenants, agreements, stipulations, engagements and obligations of this instrument shall accrue to and be binding upon the party of the first part, his heirs, executors, administrators and assigns, and upon the party of the second part, its successors and assigns.

XVIII.

The undersigned, Henry L. Cross, and his wife, Stella W. Cross, in consideration of the execution of this agreement by said The Cleveland Athletic Club Association Co. and in consideration of the sum of one ($1) dollar in hand paid to them and of other valuable considerations, hereby ratify and confirm this agreement as fully and to such extent as they legally can do; and further agree that, if, as the result of the litigation heretofore referred to or in any manner whatsoever, they, or either of them or any one claiming through or under them, or either of them, at any future time establish or secure the right to the possession of the premises hereby demised and leased, or any part thereof, neither they nor either of them, nor anyone claiming through or under them or either of them, will in any manner whatsoever interfere with the uninterrupted possession and enjoyment of the said demised premises and of the rights and esasements therein hereby secured by the said Lessee, its successors and assigns during the term of this lease; and further agree that the Lessee herein shall not be liable to account to them or to any one claiming through or under them, or either of them, in any amount whatsoever for the use and occupancy of the said demised premises during the term of this lease or any renewal or extension thereof. It is expressly understood and agreed, however, that the said Henry L. Cross and Stella W. Cross are in no manner bound by any of the covenants of this lease except such as are contained in the paragraph.

IN WITNESS WHEREOF, William M. Brown, party of the first part, has signed this instrument; The Cleveland Athletic Association Co., party of the second part, has caused this indenture to be executed by its President and Secretary, thereunto lawfully authorized and Henry L. Cross and Stella W. Cross, have hereunto set their hands this instrument being executed in triplicate all as of the day and year first above written.

Signed and acknowledged in presence of:

....

....

....

....

(Signatures, Acknowledgements follow)

MORTGAGE DEED

(NOTE—This is the form of mortgage deed used in cases where a bank or bond house issues bonds for the erection of a building on leased land. Used by one of Cleveland's leading banks.)

KNOW ALL MEN BY THESE PRESENTS, That I, ..., of the city of ...., ..., the Grantor, for the consideration of .... Dollars ($.......) received to my full satisfaction of The ....Trust Company of ...., ..., a corporation duly organized and existing under the laws of the State of ...., the Grantee, do give, grant, bargain, sell, convey, assign and transfer unto the said Grantee, its successors and assigns, the following described premises and property to-wit:

(Description here)

Said lease is recorded in Volume...........of Leases, Page........... of the records in the office of the Recorder of .... County, ...

To have and to Hold the above granted and bargained leasehold estates, premises, property, rights and privileges, with the appurtenances thereunto belonging, or in any wise appertaining unto the said Grantee, its successors and assigns forever. And I, ..., the said Grantor, do for myself and my heirs, executors and administrators covenant with the said Grantee, its successors and assigns, that at and until the ensealing of these presents I am well seized, possessed and entitled of and to the above described leasehold estate, premises, property, rights and privileges with the appurtenances thereunto belonging and have good right, full power and lawful authority to grant, bargain, sell, convey, assign and transfer the same in manner and form as above written; that the same and every part thereof is free and clear from all liens, clouds and incumbrances whatsoever and that I will warrant and defend the same unto the said Grantee, its successors and assigns, against all lawful claims and demands whatsoever.

THE CONDITION OF THIS DEED is such that whereas the said ...., has executed and delivered unto said The .... Trust Company his certain promissory note for .... Dollars ($.......) dated at ....(City)........., ...(State)......, ...(Month)......, 19...., and due one year from date and payable at the office of The.............................Trust Co., with interest at the rate of six percent (6%) per annum, payable quarterly on the 15th days of March, June, September and December in each year until paid; and authorizing any Attorney-at-law to appear in any Court of Record in the State of .... after the above obligation becomes due and waive the issuing and service of process and confess a judgment against him in favor of The ....Trust Company, or any holder of said note for the amount then appearing due, together with costs of suit and thereupon releasing all errors and waiving all right of appeal.

And the said Grantor agrees that he will pay to the said Grantee or any holder of said note, the principal and interest thereof, promptly as and when the same become due and payable according to the tenor of said note.

And the said Grantor further agrees that so long as said promissory note or any interest thereon or any sums or charges paid or incurred by Grantee for the protection of its lien hereunder, shall be and remain unpaid, he will keep the buildings and all other insurable property covered by this mortgage, insured against loss by fire in an amount equal to their full insurable value in fire insurance companies satisfactory to the holder of this mortgage, with loss, if any, payable to such holder as his interest may appear, it being agreed, however, that so much of said insurance as is exacted by the terms of the aforementioned lease, shall be subject to the terms of said lease and payable as therein directed, but the excess over and above the amount so exacted shall be payable directly to the holder of this mortgage, the policies therefor to be left in his possession; and the said Grantor further agrees that during all of the time aforesaid he will keep all rents, issues and profits to be derived from the buildings and improvements on said premises likewise insured to their full gross amount in insurance companies satisfactory to the holder of said note by a policy or policies to be left in the possession of such holder, with loss, if any, payable to such holder as his interest may appear; and all of said fire and rent insurance and any other insurance carried by the said Grantor in respect to the within mortgaged premises, leasehold estate and property (which insurance shall likewise be held by said Grantee) and the proceeds of such policies shall, in case of loss, be further security to the holder of this mortgage for the amount due thereon and may at his election be applied toward the payment thereof.

And said Grantor further agrees that during all the time aforesaid he will also pay, or cause to be paid, punctually, as and when the same become due and payable, all taxes, levies and assessments imposed or assessed, or which may hereafter be imposed or assessed, upon the premises, leasehold estate and property hereby conveyed or intended to be so conveyed, and also all other taxes, assessments, liens, incumbrances, rents and other charges which may lawfully be imposed upon said premises, leasehold estate or property, or any part thereof, or upon the income and profits thereof, the lien whereof might or could be prior to the rights granted by these presents.

And the said Grantor further agrees that during all of the time aforesaid he will comply with all laws, rules and regulations of all legally constituted authorities with respect to the construction, operation and maintenance of his buildings and in respect to the use and occupation of said premises, and that he will, at his own cost and expense, do or cause to be done all things necessary to preserve and keep valid and intact the rights and liens of the Grantee hereunder, including the payment of all rents, monies and charges and the performance of, all and singular, the terms, conditions and agreements contained in the lease above referred to; and all monies due or hereafter to be paid by the said Grantor under the terms of said lease aforementioned shall be deposited by the Grantor herein with the Grantee herein for payment to the parties entitled thereto under the terms of said lease, a reasonable time in advance of the time when the same become due and payable according to the terms of said lease.

And the said Grantor further agrees that if any taxes, assessments, rents or other charges on said premises or leasehold estate, or any installments of interest or principal of said note or insurance as above provided, be not paid when due, or if any default be made by the said Grantor in the performance of any of the other stipulations of this mortgage, or if any act be done by him or default committed, which in the opinion of the Grantee, would impair the Grantee's rights or lien hereunder, then the entire principal of said note shall at once become due and payable at the option of the holder of this mortgage; and further that in such event such holder may, and is hereby authorized, to procure such insurance, pay such taxes, assessments, liens, rents and other charges and otherwise cure such defaults, and the amount or amounts so expended by the said holder shall be immediately re-paid to said holder by the said Grantor and unless so paid shall be added to and deemed a part and parcel of the money secured hereby and a lien upon the property hereby conveyed and shall draw interest at the same rate as the principal debt secured hereby.

And the said Grantor, for himself, his heirs, executors, administrators and assigns, agrees with the said Grantee, its successors and assigns, that in the event of the happening of any default of the said Grantor in the performance of the conditions or stipulations of this mortgage, or any of them, it shall be lawful for the said Grantee, its successors and assigns, at any time after said default, to sell, either personally or by attorney, all and singular, the within mortgages, leasehold estate, premises, property, rights and privileges with the appurtenances thereunto belonging, or in any wise appertaining, at public or private sale, at such time and upon such terms as said Grantee may deem advisable, without either advertisement or notice to the said Grantor, the same being hereby expressly waived, and at any such sale said Grantee or any holder of this mortgage, may purchase the whole or any part of the property sold and upon such sale said Grantee is authorized and empowered to execute and deliver to the purchaser or purchasers thereof, good and sufficient deeds or transfers in law for the same; and such sale made as aforesaid shall be a perpetual bar both in law and in equity against said Grantor and all persons or parties lawfully claiming or to claim the said leasehold estate, premises and property with said appurtenances so sold or any part thereof, by, from, through or under the said Grantor; and after deducting from the proceeds of such sale just allowances for all disbursements and expenses of, or incident to such sale, including attorneys and counsellors fees, and all other expenses, advances and liabilities which may have been made or incurred by the said Grantee in respect to said leasehold estate, premises and property, and any and all payments which have been made by it or anyone in its behalf, for taxes, assessments, rents, insurance premiums and charges or liens prior to the lien of these presents on the said premises, leasehold estate and property, or any part thereof, and in doing any other of the things which by the terms of this indenture the said Grantee may do at its election for its own protection, said Grantee shall be entitled to apply the proceeds of such sale toward the payment of its said note and interest; and if, after said note and interest and all other items hereinbefore enumerated are paid in full, a surplus of such proceeds shall remain, such surplus shall be turned over to the said Grantor or to whomsoever may be lawfully or equitably entitled to receive the same, or as any court of competent jurisdiction shall order.

And the said Grantor, for himself, his heirs, executors and administrators, further agrees to and does hereby irrevocably waive the benefit and advantage of any and all valuation, stay appraisement, redemption and extension laws and of all laws requiring mortgages, liens, hypothecations or other securities for money, to be foreclosed by any action now existing or which may hereafter exist under the laws of the State of ......, and which, but for this provision herein, might prevent or postpone the sale of said premises, leasehold estate and property, under the powers and upon compliance with the provisions of these presents; and the said Grantor hereby covenants with the said

Grantee that he will not, in any manner, set up, or seek, or take the benefit or advantage of any such valuation, stay, appraisement, redemption or extension law.

And the said Grantor, for himself, his heirs, executors, administrators and assigns, agrees with the said Grantee, its successors and assigns, that in the event of the happening of any default as above set forth, the said Grantee, or its said successors or assigns, by its or their attorneys or agents, may enter into and upon and take and possess, all and singular, the said leasehold estate, premises, property and rights hereinbefore expressed to be conveyed, or any of them, or any part thereof, and have, hold and use the same, and make, from time to time all such repairs, replacements and such useful alterations, additions and improvements thereunto as may seem to it or them to be judicious or convenient, and collect and receive all revenues, incomes, rents, issues and profits of said leasehold estate, premises and property, and of every part thereof; and after deducting and defraying all expenses incurred thereby and the cost of said repairs, replacements, alterations, additions and improvements, and all payments which may be made for rents, taxes, assessments, insurance premiums and charges or liens prior to the lien of these presents, and for the doing of any other of the things which it may do by the terms hereof for its protection, in respect to said leasehold estate, premises, property, or any part thereof, and all other expenses incurred in relation thereto, as well as just compensation for its services and for the services of its agents, attorneys and counsel, the said grantee may apply the monies arising from such collections and receipts as aforesaid, toward the payment of the interest and principal of its said promissory note until the same have been paid in full, or to such lesser extent as it may deem advisable, after which it shall restore said mortgage, leasehold estate, premises and property to the possession of the said Grantor, subject, however, to the covenants and conditions of this indenture, in the same manner and to the same extent as if said entry had not been made, turning over the surplus, if any, to the said Grantor, or as any Court of competent jurisdiction shall order; and the said Grantee, its successors and assigns may avail itself of this remedy as often during the existence of the obligation, or any part thereof, secured hereby, as it may deem necessary.

And the said Grantor further agrees that upon the commencement of any action to foreclose this mortgage, or any time pending such action, or pending any other judicial proceeding in which said Grantee, for its protection, may be required to set up its rights and interests hereunder, the said Grantee shall be entitled, as of right, to the appointment ex parte and without notice to the said Grantor, or to any party claiming any right, title or interest in or to said leasehold estate, premises or property, or any part thereof, of a receiver or receivers of the within mortgaged premises, leasehold estate and property, and of the income, rents, issues and profits thereof, for the benefit of the holder or holders of the indebtedness secured hereby, with full powers to collect the rents, issues and profits of said leasehold estate, premises, property and appurtenances, and to manage the same, during the pendency of such action and apply the same toward the payment of the several obligations hereinabove mentioned and described.

No right or remedy herein conferred upon the said Grantee, its successors or assigns, is intended to be exclusive or any other right or remedy, but each and every such right and remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or existing at law or in equity or by suit; and wherever the word "Grantee" appears in this instrument the same shall be construed and taken to mean "the said Grantee, its successors and assigns."

Now if the said ...., his heirs, executors, administrators or assigns shall well and truly pay the aforesaid note, interest, taxes, assessments, insurance and other charges and punctually keep and comply with all of the above mentioned agreements and stipulations, according to the tenor of said note and the terms of this indenture to and with the said The ....Trust Company, its successors and assigns, or to whomsoever due and payable, then the above deed shall be void; otherwise the same shall remain in full force and virtue in law.

IN WITNESS WHEREOF, I have hereunto set my hand, this ...... day of .... in the year of our Lord, One thousand, nine hundred and ....

Signed and Acknowledged
in Presence of: ....

....

....

(Acknowledgements follow)

AGREEMENT TO MAKE A LONG TERM LEASE

(NOTICE—This Agreement has been successfully used by the author on a number of occasions and is reasonably complete. It should be carefully adapted to each property where it is being used.)

THIS MEMORANDUM OF AGREEMENT entered into this........... day of...................., 1921, BY AND BETWEEN.................... ...., Lessor, hereinafter called party of the first part, and.., Lessee, and hereafter referred to as party of the second part, namely: The said party of the first part is the owner of a certain parcel of land situated in the City of...................... and known as......................., having a frontage of.............feet of land, and a depth of............ feet, on which is located a six-story and basement brick and mill constructed building. Said parties hereby agree to enter into a ninety-nine (99) year lease, renewable forever upon the terms and conditions hereinafter set forth.

FIRST: Rental to be Six Thousand ($6,000) Dollars per annum for the first period of five years. Rental to be Six Thousand Five Hundred ($6,500) Dollars per annum for the second five years. Rental to be Seven Thousand ($7,000) Dollars per annum for succeeding eighty-nine (89) years thereafter. It is agreed that the above rentals are to be paid monthly in advance, and that the initial three months' rental is to be paid at the time this lease is executed.

SECOND: The lease is to contain a provision entitling the Lessee to purchase the property at any time before the end of fifth year at One Hundred Thousand ($100,000.00) Dollars; at any time between the sixth and tenth years inclusive at One Hundred and Eight Thousand, Three Hundred and Thirty-three ($108,333.00) Dollars and at any time between the eleventh and twenty-fifth years inclusive at One Hundred and Sixteen Thousand, Six Hundred and Sixty-six ($116,666.00) Dollars.

THIRD: The lease is to be for ninety-nine (99) years and is to be renewable forever on the same terms applicable during the ninety-ninth year of the lease.

FOURTH: The Lessee is to deposit with a trustee chosen by and acting in behalf of the Lessor, a satisfactory surety bond, or other satisfactory security in the amount of Twelve Thousand ($12,000.00) Dollars to be held for the benefit of the Lessor as security for the performance of the terms of said lease by the Lessee, it being understood that in the event cash is deposited, six per cent (6%) interest is to be paid and in the event securities are deposited, the income from said securities is to be payable to the Lessee during the time said securities are held. In the event that the Lessee deposits security for the faithful performance of said lease then and in that event said securities so deposited are to be returned to the Lessee herein in the event that said Lessee exercises the option to purchase the property.

FIFTH: It is agreed that the Lessee is to be permitted to wreck the present building at any time, but will be required under the terms of the lease to erect a new building costing at least Sixty Thousand ($60,000.00) Dollars on the premises, Lessee giving bond for the erection and completion of said building, free and clear of all encumbrances and liens whatsoever, before commencing to wreck the present building now standing on the premises.

SIXTH: The Lessee herewith deposits with The Stanley McMichael Organization, and the receipt of the same is hereby acknowledged by the Lessors, the sum of One Thousand Dollars ($1,000.00) as earnest money, the same to apply towards the rental of the property for the first year. In the event that said lease is not executed then the One Thousand ($1,000.00) Dollars this day deposited with The Stanley McMichael Organization shall be returned to the second party.

SEVENTH: It is agreed that said lease shall be executed and the term of said lease shall begin when the Lessor shall provide an abstract or a certificate of title, showing merchantable title to said premises, free and clear of all encumbrances, clouds and liens whatsoever. The extension of said certificate of title is to be at the instance and request of the Lessee, but at the expense of the Lessor.

EIGHTH: It is agreed that the Lessee shall pay taxes on the premises from and after the date of execution of the said lease, as it is understood that the taxes are to be pro-rated between parties as of the date of the execution of said lease, Lessors to pay all prior taxes and assessments, including taxes for the year 1920 and any part of the year 1921 which has been consumed and gone by before the execution and delivering of said lease to the parties of the second part.

NINTH: It is agreed by the Lessor that possession of a portion of the premises shall be given to the Lessee not later than March 25, 1921. The Lessor agrees to pay to the Lessee a rent for such portion of said premises as may be retained by Lessor from the date of the execution of said lease to such a time the Lessor agrees to vacate said premises, which shall be not later than September 1, 1921. The rate of rental shall be the same as stipulated to be paid by the Lessee herein. That portion of the premises which Lessor agrees to give possession of to Lessee not later than March 25, 1921, shall consist of all of the second floor of the building herein named, half of the basement under said building and a space at least fifteen feet wide and thirty feet deep on the ground floor, Lessee agreeing to pay the necessary expense for providing access to said ground floor space and for partitioning off said space from that occupied by ....

TENTH: Party of the second part agrees to keep the building now on the premises, or one to be erected and completed hereafter, in constant good condition and repair and insured against loss or damage by fire in insurance companies of general recognized responsibility and credit, satisfactory to a trustee to be named by Lessor, in an amount equal to not less than eighty per cent (80%) of the fair and insurable value thereof, exclusive of foundations.

ELEVENTH: In the event of the exercise of the option to purchase, the property is to be deeded to the party of the second part, their heirs or assigns, or such persons or corporations as may be designated by them by warranty deed, free and clear from all encumbrances and liens whatsoever, excepting only such as may have been placed on the property by or because of the Lessee, upon payment of the purchase price in cash, or if requested, the deed is to be placed with a responsible abstract company as escrow agent with instructions to deliver upon payment to the abstract company of the purchase price.

TWELFTH: Said lease is to be made to the party of the second part herein with the right to transfer or assign the same at any time thereafter to persons or corporations designated by them, their heirs or assigns, with the full privilege of sub-letting all or any part, provided however, that such assignment shall not be made unless party of the second part executes every covenant in said lease.

THIRTEENTH: Within ten days from the date of the acceptance hereof, the Lessor shall tender to the Lessee a complete draft of a lease of the premises before mentioned, embodying the foregoing terms and provisions and such other provisions consistent therewith as are appropriate and necessary for the setting forth of the rights and obligations of the Lessor and Lessee respectively, and within ten days from the receipt of such draft of lease the Lessee shall either execute the same or tender to the Lessor in writing such amendments, if any, of said draft of lease as he may desire it to contain. In the latter event within ten days from the tender by the Lessee to the Lessor of his amendments to original draft of the lease the parties shall agree upon and execute a lease which shall be and become of full force and effect conditioned only upon both the Lessor and Lessee carrying out the other covenants of this agreement. In case the parties hereto cannot agree upon the form of the lease within the time above stipulated either one may demand that the arbitrator mentioned herein shall settle the dispute in accordance with the terms of the arbitration agreement.

FOURTEENTH: In the event the parties hereto are unable to agree on the exact language of any clause, or as to the omission or insertion of any clause or clauses or as to the wording of the complete lease, or if Lessor fails to draw and prepare said lease, then an arbitrator, who shall be ....of The......................Trust Company shall determine said language or shall draw and prepare said lease, which determination and lease so drawn by him shall be binding on both parties. The cost of such arbitration is to be divided equally between the Lessor and Lessee.

FIFTEENTH: Party of the first part agrees to pay to The Stanley McMichael Organization the regular Real Estate Board commission for the execution of said lease, payment to be made at time lease is finally executed.

WITNESSES: ....
.... Lessor

WITNESSES: ....
.... Lessee

AGREEMENT TO MAKE A LONG TERM LEASE

(A form of agreement to execute a lease has been prepared by a number of Cleveland lease brokers and may be found below. It can be reversed if necessary, the lessee signing the contract and the lessor accepting the same.)

................., ..., 19.....

..................................(hereinafter referred to as Lessor) hereby authorizes .... to act as agent in LETTING AND LEASING for a period of ninety-nine (99) years, renewable forever thereafter on the same terms and conditions as will be in force in the ninety-ninth (99th) year of the first ninety-nine (99) years of the lease, real estate in the City of ...., ..., known as No. ...., and described as follows, to-wit:

(Description here)

RENTAL: The rental for same shall be ....
....
....
....
payable quarterly in advance.

POSSESSION: ....

TAXES: The Lessor and Lessee shall pay pro-rata, according to their respective occupancies, all taxes, assessments and other public charges, which are or may be payable on said property for the current calendar year 19...., but the Lessee shall pay all subsequent taxes, assessments and public charges which may become a lien, except income, estate or inheritance tax charged against the Lessor's rents or interest. The date of possession shall fix their respective occupancies.

IMPROVEMENTS: The Lessee agrees to improve said property with a new building suitable to its location, within .... years from date of said lease of the value of $..........., and contemporaneously with the signing of said lease will furnish the LESSOR with satisfactory surety or acceptable securities in the amount of $........... to guarantee the fulfillment of the provisions of such lease up and until such time as the building condition has been complied with, whereupon said surety shall be cancelled or said securities returned, or both.

No building now on said premises shall be removed or razed before LESSEE gives LESSOR additional satisfactory surety or acceptable securities in the amount of $..........., same to remain with LESSOR until building condition has been complied with, whereupon said surety shall be cancelled or said securities returned, or both.

INSURANCE: The LESSEES agree to insure and keep insured at all times any and all buildings on said property in the amount of .... % of their full insurable value with policies in possession of The .... Trust Company, as Trustee, but with loss available through said Trustee to LESSEE for rebuilding.

PURCHASE: The LESSEE shall have the right to purchase said above described property at any time between ...., 19...., and ...., 19...., for the sum of $............

FORM OF LEASE: Within .... days from the date of the acceptance hereof the LESSOR shall tender to the LESSEE a complete draft of a lease of the premises before mentioned, embodying the foregoing terms and provisions and such other provisions consistent therewith as are appropriate and necessary for the setting forth of the rights and obligations of the LESSOR and LESSEE, respectively, and within .... days from the receipt of such draft of lease the LESSEE shall either execute the same or tender to the LESSOR in writing such amendments, if any, of said draft of lease as he may desire it to contain. In the latter event within .... days from the tender by the LESSEE to the LESSOR of his amendments to original draft of the lease the parties shall agree upon and execute a lease which shall be and become of full force and effect conditioned only upon both the LESSOR and LESSEE carrying out the other covenants of this agreement. In case the parties hereto cannot agree upon the form of the lease within the time above stipulated either one may demand that the arbitrator mentioned herein shall settle the dispute in accordance with the terms of the arbitration agreement.

ARBITRATION: In the event the parties hereto are unable to agree on the exact language of any clause, or as to the omission or insertion of any clause or clauses or as to the wording of the complete lease, or if LESSOR fails to draw and prepare said lease, then an arbitrator, who shall be .... of The .... Trust Company, shall determine said language or shall cause to be drawn and prepared said lease, which determination and lease so drawn by him shall be binding on both parties.

ABSTRACT: The Lessor agrees to furnish to the LESSEE a new certificate or an Abstract of Title of The .... Company extended to time of transfer and further guarantees the property to be free and clear from all incumbrances, restrictions and limitations, except ....
....

TIME: This instrument expires by limitations at 12 o'clcok noon on the .... day of ...., 19...., unless said agent shall have previously secured a responsible party as LESSEE who will accept the terms of this instrument and contemporaneously therewith execute a certified check in favor of LESSOR in the sum of $..........., which shall apply on the first year's rental.

DOWER INTEREST: The LESSOR hereby agrees that ....
......................., his wife, will sign and execute lease as herein provided for.

(BLANK SPACE LEFT HERE FOR ANY SPECIAL CLAUSE)

COMMISSION: For securing the LESSEE named below, the LESSOR agrees to pay to .... the regular commission as established by The .... Real Estate Board, and in accordance with its rules.

WITNESS: ....

....

ACCEPTANCE

.................................., above referred to as the Lessee, hereby accepts and agrees to this contract this .... day of ...., 19...., and deposit with ....
$..........., on account of this contract, to apply on first year's rental.

....

WITNESS:

....

WAIVER OF PRIORITY

(NOTE—It is customary for banks and investors holding mortgages on property going under ninety-nine year lease to waive priority to the Lessee, the lease thus becoming first lien on the premises. Banks are usually glad to do this as the Lessee is under bond and that security makes more sure the payment of the mortgage.)

KNOW ALL MEN BY THESE PRESENTS that whereas the undersigned, THE .... TRUST COMPANY, is the owner and holder of a certain mortgage from .... to THE .... TRUST COMPANY, dated July 1st, 1919, recorded in Volume ...., Page ...., of .... County, ..., records, Document No. ......, securing an indebtedness originally in the amount of Eight Thousand ($8,000.00) Dollars, and

WHEREAS said.....................have entered into a ninety-nine (99) year lease agreement with THE.......................COMPANY, dated October 1st, 1920, and recorded with the Recorder of................... County, ..., Document No. ......, and

Whereas the parties to said ninety-nine (99) year lease agreement entered into the same upon the agreement of the undersigned, THE ....TRUST COMPANY that it would execute a Waiver of Priority of the aforesaid mortgage over the said ninety-nine (99) year lease agreement,

NOW, THEREFORE, in consideration of the premises and the sum of One Dollar ($1.00) paid by the said..............and THE.................. COMPANY to the undersigned, the undersigned does hereby waive the priority of the above mentioned mortgage over the above mentioned ninety-nine (99) year lease agreement and over the estate of the Lessee, under the said ninety-nine (99) year lease agreement, intending hereby that the rights of the undersigned and its successors and assigns under the aforesaid mortgage shall be as though the aforesaid ninety-nine (99) year lease agreement were executed and recorded prior to the execution and recording of said mortgage without otherwise affecting the lien of the said mortgage.

Executed at...................., Ohio, this 29th day of October, 1920.

THE.....................TRUST COMPANY.

....
(President)

....
(Secretary)

Signed and acknowledged in
the presence of:

....
....

State of ....
.... County: ss.

Before me, a Notary Public in and for said County, appeared the above named THE....................TRUST COMPANY by.................... its President, and.....................its Secretary, who acknowledged that they signed the foregoing instrument and that the same is their free act and deed, and the free act and deed of THE..........................TRUST COMPANY for the purposes herein named, and that said instrument was executed and the seal of THE.......................TRUST COMPANY thereto affixed in pursuance of authority duly vested in said officers, by resolution of the Board of Directors of said corporation.

IN TESTIMONY WHEREOF, I hereunto affix my Notarial seal and signature at................, Ohio, this..........day of............., 1920.

....

Notary Public.

ASSIGNMENT OF LEASE AND LEASEHOLD ESTATE

(In assigning a lease, the following form will be found useful, as it is quite complete. If the lease is being assigned by one individual to another individual, it will be necessary to so state, as the form itself indicates that the assignment is made from one corporation to another.)

KNOW ALL MEN BY THESE PRESENTS, That...................... .... an ....corporation, for the consideration of Ten Dollars ($10) and other valuable considerations to it in hand paid by .... an ....corporation, the receipt of which is hereby acknowledged, has sold, assigned, transferred and set over, and by these presents does sell, assign, transfer and set over unto the said............... ....the instrument of lease and the leasehold estate created by said instrument of lease, dated the............... day of...............................A. D. ...., filed for record ...., duly recorded in Volume.........., Pages........ to ...., inclusive, of the lease records of................. County, ..., made by .... to .... in and to the following described property, to wit:
(INCLUDE SAME DESCRIPTION OF PROPERTY HERE AS APPEARS IN THE LEASE.)

TO HAVE AND TO HOLD THE said instrument of lease, the leasehold estate created thereby, and the buildings and improvements thereon, unto the said..., its successors and assigns forever, and the said ...., does hereby covenant with the said..., grantee and assignee, its successors and assigns, that at and until the ensealing of these presents it is the true and lawful owner of said lease and leasehold estate created thereby, and has good right to bargain, sell and transfer the same in manner and form above written; that the said instrument of lease and leasehold estate are free and clear of encumbrances, except taxes and assessments levied thereon for the year 19......, which the assignor herein agrees to pay; except a certain mortgage or deed of trust thereon made by......... .... to ...., as trustee, dated ...., securing an issue of bonds of the assignor, dated ...., aggregating the sum of .... ($..........) of which there are now outstanding the sum of .... ($..........), which bonds together with interest thereon from ...., grantee and assignee assumes and agrees to pay, said mortgage or deed of trust being filed for record ...., and is recorded in Volume..........., pages............, of the mortgage records of ....County, ...; except existing leases on various portions of said leasehold estate, which grantee and assignee assumes; and except such rents as may accrue, under said instrument of lease (it being understood that assignee shall pay the assignor any rentals which shall have been paid by it on account of said instrument of lease beyond), that it will place grantee and assignee in possession of said premises ...., 19.....; that there is no default under the terms of said instrument of lease; and that it will forever warrant and defend unto the said grantee and assignee, its successors and assigns, the said instrument of lease, the leasehold estate created thereby, and the buildings and improvements thereon, except as above specified, and subject always to the terms of said instrument of lease.

In consideration of the premises the said .... does for itself, its successors and assigns, hereby accept the said assignment and transfer of lease and leasehold estate, and expressly agrees to assume the engagements of .... under the said instrument of lease and agrees to punctually perform all of the same.

IN WITNESS WHEREOF, the said .... and ...., by their respective officers thereunto duly authorized, have affixed their corporate names and seals at ...., ..., all the .... day of ...., this instrument being executed in triplicate.

Signed and acknowledged
in the presence of:

By.....................................
President

....

....
Secretary

....

....

....

STATE OF ....,
.... County, SS:

Before me, a Notary Public in and for said County and State, personally appeared ...., President, and ...., Secretary of ...., and ...., and ...., President, and ...., Secretary of ...., and acknowledged that they did on behalf of said respective companies and as such officers thereunto duly authorized, sign and seal with their respective corporate seals the foregoing instrument and that the same is their free act and deed, and the free act and deed of such corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal at ...., ..., this .... day of ...., 19.....

....
Notary Public.

TABLE I

The following table will be found invaluable in determining today's worth of any saving or increase of income which extends thru future years.

PRESENT WORTH OF AN ANNUAL SAVING OR INCOME OF $1 PER YEAR FOR ANY NUMBER OF YEARS AT A GIVEN RATE OF INTEREST.

Yrs.	3 %	3½ %	4 %	4½ %	5 %	5½ %	6 %	7 %	8 %	Yrs.
1	.971	.966	.962	.957	.952	.948	.943	.935	.926	1
2	1.913	1.900	1.886	1.873	1.859	1.846	1.833	1.808	1.783	2
3	2.829	2.802	2.775	2.749	2.723	2.698	2.673	2.624	2.577	3
4	3.717	3.673	3.630	3.588	3.546	3.505	3.465	3.387	3.312	4
5	4.580	4.515	4.452	4.390	4.329	4.270	4.212	4.100	3.993	5
6	5.417	5.329	5.242	5.158	5.076	4.996	4.917	4.767	4.623	6
7	6.230	6.115	6.002	5.893	5.786	5.683	5.582	5.389	5.206	7
8	7.020	6.874	6.733	6.596	6.463	6.335	6.210	5.971	5.747	8
9	7.786	7.608	7.435	7.269	7.108	6.952	6.802	6.515	6.247	9
10	8.530	8.317	8.111	7.913	7.722	7.538	7.360	7.024	6.710	10
11	9.253	9.002	8.760	8.529	8.306	8.093	7.887	7.499	7.139	11
12	9.954	9.663	9.385	9.119	8.863	8.619	8.384	7.943	7.536	12
13	10.635	10.303	9.986	9.683	9.394	9.117	8.853	8.358	7.904	13
14	11.296	10.921	10.563	10.223	9.899	9.590	9.295	8.745	8.244	14
15	11.938	11.517	11.118	10.740	10.380	10.038	9.712	9.108	8.559	15
16	12.561	12.094	11.652	11.234	10.838	10.462	10.106	9.447	8.851	16
17	13.166	12.651	12.166	11.707	11.274	10.865	10.477	9.763	9.122	17
18	13.754	13.190	12.659	12.160	11.690	11.246	10.828	10.059	9.372	18
19	14.324	13.710	13.134	12.593	12.085	11.608	11.158	10.336	9.604	19
20	14.877	14.212	13.590	13.008	12.462	11.950	11.470	10.594	9.818	20
21	15.415	14.698	14.029	13.405	12.821	12.275	11.764	10.836	10.017	21
22	15.937	15.167	14.451	13.784	13.163	12.583	12.042	11.061	10.201	22
23	16.444	15.620	14.857	14.148	13.489	12.875	12.303	11.272	10.371	23
24	16.936	16.058	15.247	14.495	13.799	13.152	12.550	11.469	10.529	24
25	17.413	16.482	15.622	14.828	14.094	13.414	12.783	11.654	10.675	25
26	17.877	16.890	15.983	15.147	14.375	13.663	13.003	11.826	10.810	26
27	18.327	17.285	16.330	15.451	14.643	13.898	13.211	11.987	10.935	27
28	18.764	17.667	16.663	15.743	14.898	14.121	13.406	12.137	11.051	28
29	19.188	18.036	16.984	16.022	15.141	14.333	13.591	12.278	11.158	29
30	19.600	18.392	17.292	16.289	15.372	14.534	13.765	12.409	11.258	30
31	20.000	18.736	17.588	16.544	15.593	14.724	13.929	12.532	11.350	31
32	20.389	19.069	17.874	16.789	15.803	14.904	14.084	12.647	11.435	32
33	20.766	19.390	18.148	17.023	16.003	15.075	14.230	12.754	11.514	33
34	21.132	19.701	18.411	17.247	16.193	15.237	14.368	12.854	11.587	34
35	21.487	20.001	18.665	17.461	16.374	15.391	14.498	12.948	11.655	35
36	21.832	20.290	18.908	17.666	16.547	15.536	14.621	13.035	11.717	36
37	22.167	20.571	19.143	17.862	16.711	15.674	14.737	13.117	11.775	37
38	22.492	20.841	19.368	18.050	16.868	15.805	14.846	13.193	11.829	38
39	22.808	21.103	19.584	18.230	17.017	15.929	14.949	13.265	11.879	39
40	23.115	21.355	19.793	18.402	17.159	16.046	15.046	13.332	11.925	40
41	23.412	21.599	19.993	18.566	17.294	16.157	15.138	13.394	11.967	41
42	23.701	21.835	20.186	18.724	17.423	16.263	15.225	13.452	12.007	42
43	23.982	22.063	20.371	18.874	17.546	16.363	15.306	13.507	12.043	43
44	24.254	22.283	20.549	19.018	17.663	16.458	15.383	13.558	12.077	44
45	24.519	22.495	20.720	19.156	17.774	16.548	15.456	13.606	12.108	45

TABLE I (Continued)

Yrs.	3 %	3½ %	4 %	4½ %	5 %	5½ %	6 %	7 %	8 %	Yrs.
46	24.775	22.701	20.885	19.288	17.880	16.633	15.524	13.650	12.137	46
47	25.025	22.899	21.043	19.415	17.981	16.714	15.589	13.692	12.164	47
48	25.267	23.091	21.195	19.536	18.077	16.790	15.650	13.730	12.189	48
49	25.502	23.277	21.341	19.651	18.169	16.863	15.708	13.767	12.212	49
50	25.730	23.456	21.482	19.762	18.256	16.932	15.762	13.801	12.233	50
51	25.951	23.629	21.617	19.868	18.339	16.997	15.813	13.832	12.253	51
52	26.166	23.796	21.748	19.969	18.418	17.058	15.861	13.862	12.272	52
53	26.375	23.957	21.873	20.066	18.493	17.117	15.907	13.890	12.288	53
54	26.578	24.113	21.993	20.159	18.565	17.173	15.950	13.916	12.304	54
55	26.774	24.264	22.109	20.248	18.633	17.225	15.991	13.940	12.319	55
56	26.965	24.410	22.220	20.333	18.699	17.275	16.029	13.963	12.332	56
57	27.151	24.550	22.327	20.414	18.761	17.332	16.065	13.984	12.344	57
58	27.331	24.686	22.430	20.492	18.820	17.367	16.099	14.003	12.356	58
59	27.506	24.818	22.528	20.567	18.876	17.410	16.131	14.022	12.367	59
60	27.676	24.945	22.623	20.638	18.929	17.450	16.161	14.039	12.377	60
61	27.840	25.067	22.715	20.706	18.980	17.488	16.190	14.055	12.386	61
62	28.000	25.186	22.803	20.772	19.029	17.524	16.217	14.070	12.394	62
63	28.156	25.300	22.887	20.834	19.075	17.558	16.242	14.084	12.402	63
64	28.306	25.411	22.969	20.894	19.119	17.591	16.266	14.098	12.409	64
65	28.453	25.518	23.047	20.951	19.161	17.622	16.289	14.110	12.416	65
66	28.595	25.621	23.122	21.006	19.201	17.651	16.310	14.121	12.422	66
67	28.733	25.721	23.194	21.058	19.239	17.679	16.331	14.132	12.428	67
68	28.867	25.817	23.264	21.108	19.275	17.705	16.350	14.142	12.433	68
69	28.997	25.910	23.330	21.156	19.310	17.730	16.368	14.152	12.438	69
70	29.123	26.000	23.395	21.202	19.343	17.753	16.385	14.160	12.443	70
71	29.246	26.087	23.456	21.246	19.374	17.776	16.401	14.169	12.447	71
72	29.365	26.171	23.516	21.288	19.404	17.797	16.416	14.176	12.451	72
73	29.481	26.253	23.573	21.328	19.432	17.817	16.430	14.183	12.455	73
74	29.592	26.331	23.628	21.367	19.459	17.836	16.443	14.190	12.458	74
75	29.702	26.407	23.680	21.404	19.485	17.854	16.456	14.196	12.461	75
76	29.807	26.480	23.731	21.439	19.509	17.871	16.468	14.202	12.464	76
77	29.910	26.551	23.780	21.473	19.533	17.887	16.479	14.208	12.467	77
78	30.010	26.619	23.827	21.505	19.555	17.903	16.490	14.213	12.469	78
79	30.107	26.685	23.872	21.536	19.576	17.917	16.500	14.218	12.471	79
80	30.201	26.749	23.915	21.565	19.596	17.931	16.509	14.222	12.474	80
85	30.631	27.037	24.109	21.695	19.684	17.990	16.549	14.420	12.482	85
90	31.002	27.279	24.267	21.799	19.752	18.035	16.579	14.253	12.488	90
95	31.323	27.484	24.398	21.883	19.806	18.069	16.601	14.263	12.492	95
100	31.599	27.655	24.505	21.950	19.848	18.096	16.618	14.269	12.494	100
Perpetuity	33.333	28.571	25.000	22.222	20.000	18.182	16.667	14.286	12.500	Perpetuity

TABLE II

The following compound interest table for 100 years will be found useful in determining the worth of money in appraising long term leases. This table may be used, also, when interest is compounded semi-annually (for 50 years) quarterly (for 25 years) and monthly (for 8 years and 4 months). For example, to find factor for 20 years, 6%, compounded semi-annually, use factor .097222 (as for 40 years, 6%, compounded annually).

PRESENT WORTH OF $1 FOR ANY TIME FROM 1 TO 100 YEARS AT

Years	1%	2%	3%	4%	5%	6%	7%	8%
1	.990099	.980392	.970874	.961538	.952381	.943396	.934579	.925925
2	.980296	.961169	.942596	.924556	.907029	.889996	.873438	.857338
3	.970590	.942322	.915142	.888996	.863838	.839619	.816297	.793832
4	.960980	.923845	.888487	.854804	.822702	.792094	.762895	.735029
5	.951466	.905731	.862609	.821927	.783526	.747258	.712986	.680582
6	.942045	.887971	.837484	.790315	.746215	.704961	.666342	.630169
7	.932718	.870560	.813092	.759918	.710681	.665057	.622749	.583490
8	.923483	.853490	.789409	.730690	.676839	.627412	.582008	.540268
9	.914340	.836755	.769417	.702587	.644609	.591898	.543933	.500248
10	.905287	.820348	.744094	.675564	.613913	.558395	.508349	.463193
11	.896324	.804263	.722421	.649581	.584679	.526788	.475092	.428882
12	.887449	.788493	.701380	.624597	.556837	.496969	.444011	.397113
13	.878663	.773033	.680951	.600574	.530321	.468839	.414964	.367697
14	.869963	.757875	.661118	.577475	.505068	.442301	.387817	.340460
15	.861349	.743015	.641862	.555265	.481017	.417265	.362445	.315241
16	.852821	.728446	.623167	.533908	.458112	.393646	.338734	.291890
17	.844377	.714163	.605016	.513373	.426297	.371364	.316574	.270268
18	.836017	.700159	.587395	.493628	.415521	.350344	.295863	.250248
19	.827740	.686431	.570286	.474642	.395734	.330513	.276508	.231711
20	.819544	.672971	.533676	.456387	.376889	.311805	.258418	.214547
21	.811430	.659776	.537149	.438834	.358942	.294155	.241512	.198655
22	.803396	.646839	.521893	.421955	.341850	.277505	.225712	.183940
23	.795442	.644156	.506692	.405726	.325571	.261797	.210946	.170314
24	.787566	.621721	.491934	.390121	.310068	.246979	.197146	.157699
25	.779768	.609531	.477606	.375117	.295303	.232999	.184249	.146017
26	.772048	.597579	.463695	.360689	.281241	.219810	.172195	.135201
27	.764404	.585862	.450189	.346817	.267848	.207368	.160930	.125186
28	.756836	.574375	.437077	.333477	.255094	.195630	.150402	.115913
29	.749342	.563112	.424346	.320651	.242946	.184557	.140562	.107327
30	.741923	.552071	.411987	.308319	.231377	.174110	.131366	.099377
31	.734577	.541246	.399987	.296460	.220360	.164255	.122772	.092015
32	.727304	.530633	.388337	.285058	.209866	.154957	.114740	.085199
33	.720103	.520229	.377026	.274094	.199873	.146186	.107234	.078888
34	.712973	.510028	.366045	.263552	.190355	.137912	.100219	.073045
35	.705914	.500028	.355383	.253615	.181290	.130105	.093662	.067634
36	.698925	.490223	.345032	.243669	.172657	.122741	.087535	.062624
37	.692005	.480611	.334983	.234297	.164436	.115793	.081808	.057985
38	.685153	.471187	.325226	.225235	.156605	.109239	.076456	.053690
39	.678370	.461948	.315754	.216621	.149148	.103056	.071454	.049713
40	.671653	.452890	.306557	.208289	.142046	.097222	.066780	.046030
41	.665003	.444010	.297628	.200278	.135282	.091719	.062411	.042621
42	.658419	.435304	.288959	.192575	.128840	.086527	.058328	.039463
43	.651900	.426769	.280543	.185168	.122704	.081630	.054512	.036540
44	.645445	.418401	.272372	.178046	.116861	.177009	.050946	.033833
45	.639055	.410197	.264439	.171198	.111297	.072650	.047613	.031327

TABLE II (Continued)

Years	1%	2%	3%	4%	5%	6%	7%	8%
46	.632728	.402154	.256737	.164614	.105997	.068538	.044498	.029007
47	.626463	.394268	.249259	.158283	.100949	.064658	.041587	.026858
48	.620260	.386538	.241999	.152195	.096942	.060998	.038866	.024868
49	.614119	.378958	.234950	.146341	.091564	.057546	.036324	.023026
50	.608039	.371518	.228107	.140713	.087204	.054288	.033947	.021321
51	.602019	.364243	.221463	.135301	.083051	.051215	.031726	.019741
52	.596058	.357101	.215013	.130097	.079096	.048316	.029651	.018279
53	.590156	.350099	.208750	.125093	.075330	.045581	.027711	.016925
54	.584313	.343234	.202670	.120282	.071743	.043001	.025898	.015671
55	.578528	.336504	.196767	.115656	.068326	.040567	.024204	.014510
56	.572800	.329906	.191036	.111207	.065073	.038270	.022620	.013435
57	.567189	.323437	.185472	.106930	.061974	.036104	.021140	.012440
58	.561514	.317095	.180069	.102817	.059023	.034061	.019757	.011519
59	.555954	.310878	.174825	.098863	.056212	.032133	.018465	.010665
60	.550450	.304782	.169733	.095060	.053536	.030314	.017257	.009875
61	.545000	.298806	.164789	.091414	.050986	.028598	.016128	.009144
62	.539604	.292947	.159990	.087889	.048558	.026979	.015073	.008466
63	.534261	.287203	.153330	.084508	.046246	.025452	.014087	.007839
64	.528971	.281572	.150806	.081258	.044044	.024011	.013165	.007259
65	.523734	.276051	.146413	.078133	.041946	.022652	.012304	.006721
66	.518548	.270638	.142149	.075128	.039949	.021370	.011499	.006223
67	.513414	.265331	.138009	.072238	.038047	.020160	.010746	.005762
68	.508331	.260129	.133989	.069460	.036225	.019019	.010043	.005335
69	.503298	.255028	.130086	.066788	.034509	.017942	.009386	.004940
70	.498315	.250028	.126290	.064219	.032866	.016927	.008772	.004574
71	.493381	.245125	.122619	.061749	.031301	.015969	.008198	.004235
72	.488496	.240319	.119047	.059374	.029811	.015065	.007662	.003921
73	.483659	.235607	.115580	.057091	.028391	.014212	.007161	.003631
74	.478871	.230987	.112214	.054895	.027039	.013407	.006692	.003362
75	.474129	.226458	.108945	.052784	.025752	.012649	.006254	.003113
76	.469435	.222017	.105772	.050754	.024225	.011933	.005845	.002882
77	.464787	.217664	.102691	.048801	.023357	.011257	.005463	.002669
78	.460185	.213396	.099700	.046924	.022245	.010620	.005105	.002471
79	.455629	.209212	.096796	.045120	.021186	.010019	.004771	.002288
80	.451118	.205110	.093977	.043384	.020177	.009452	.004459	.002118
81	.446651	.201088	.091240	.041716	.019216	.008917	.004167	.001961
82	.442229	.197145	.088582	.040111	.018301	.008412	.003895	.001816
83	.437851	.193879	.086002	.038569	.017430	.007936	.003640	.001681
84	.433515	.189490	.083497	.037085	.016600	.007486	.003402	.001557
85	.429223	.185774	.081065	.035659	.015809	.007063	.003179	.001442
86	.424974	.182132	.078704	.034287	.015056	.006663	.002971	.001335
87	.420766	.178560	.076412	.032969	.014339	.006286	.002777	.001236
88	.416600	.175059	.074186	.031701	.013657	.005930	.002595	.001144
89	.412475	.171627	.072026	.030481	.013006	.005594	.002425	.001059
90	.408391	.168261	.069928	.029309	.012387	.005277	.002267	.000981
91	.404348	.164962	.067891	.028102	.011797	.004979	.002118	.000908
92	.400344	.161728	.065914	.027098	.011235	.004697	.001980	.000841
93	.396380	.158556	.063994	.026056	.010700	.004431	.001850	.000779
94	.392456	.155448	.062130	.025053	.010190	.004180	.001729	.000721
95	.388570	.152400	.060320	.024090	.009705	.003944	.001616	.000667
96	.384723	.149411	.058563	.023163	.009243	.003720	.001510	.000618
97	.381914	.146482	.056858	.022272	.008803	.003510	.001411	.000572
98	.377142	.143609	.055202	.021416	.008384	.003311	.001319	.000530
99	.373408	.140794	.053594	.020592	.007985	.003124	.001233	.000490
100	.369711	.138033	.052033	.019800	.007604	.002947	.001152	.000454

TABLE III

TO VALUE DEEP LOTS

The table below, known as the Cleveland Standard, in which is adapted a number of existing methods, may be used to determine the percentage of value in lots of varying depth. Assuming the land to be worth $100 per foot front, 100 feet deep, it may be seen that a lot 200 feet in depth is worth $122 per foot front for that depth. Any value and depth may be secured. See example under Table IV.

PERCENTAGE OF UNIT VALUE FOR LOTS FROM 1 TO 700 FEET DEEP
100 feet depth—100%.

Depth		50	72.50	100	100.00	150	115.00	200	122.00
1 ft.	3.10%	1	73.25	1	100.41	1	115.19	1	122.00
2	6.10	2	74.00	2	100.85	2	115.38	2	122.20
3	9.00	3	74.75	3	101.27	3	115.57	3	122.30
4	11.75	4	75.50	4	101.70	4	115.76	4	122.40
5	14.35	5	76.20	5	102.08	5	115.95	5	122.50
6	16.75	6	76.90	6	102.48	6	116.12	210	122.95
7	19.05	7	77.55	7	102.88	7	116.29	15	123.38
8	21.20	8	78.20	8	103.25	8	116.46	20	123.80
9	23.20	9	78.85	9	103.62	9	116.62	30	124.60
10	25.00	60	79.50	110	104.00	160	116.80	240	125.35
1	26.70	1	80.11	1	104.36	1	116.96	50	126.05
2	28.36	2	80.77	2	104.72	2	117.13	60	126.75
3	29.99	3	81.38	3	105.08	3	117.30	70	127.40
4	31.61	4	82.00	4	105.43	4	117.47	80	128.05
5	33.22	5	82.61	5	105.78	5	117.64	90	128.65
6	34.92	6	83.21	6	106.13	6	117.79	300	129.25
7	36.41	7	83.82	7	106.47	7	117.94	10	129.80
8	37.97	8	84.42	8	106.81	8	118.09	20	130.35
9	39.50	9	85.01	9	107.15	9	118.24	30	130.90
20	41.00	70	85.60	120	107.50	170	118.40	340	131.40
1	42.50	1	86.15	1	107.80	1	118.54	50	131.90
2	43.96	2	86.70	2	108.11	2	118.70	60	132.40
3	45.30	3	87.24	3	108.43	3	118.85	70	132.85
4	46.61	4	87.78	4	108.75	4	119.00	80	133.30
5	47.90	5	88.30	5	109.05	5	119.14	90	133.75
6	49.17	6	88.82	6	109.35	6	119.28	400	134.20
7	50.40	7	89.35	7	109.65	7	119.41	10	134.60
8	51.61	8	89.87	8	109.93	8	119.54	20	135.00
9	52.81	9	90.39	9	110.21	9	119.67	30	135.40
30	54.00	80	90.90	130	110.50	180	119.80	440	135.80
1	55.05	1	91.39	1	110.76	1	119.92	50	136.15
2	56.10	2	91.89	2	111.02	2	120.05	60	136.50
3	57.15	3	92.38	3	111.28	3	120.18	70	136.85
4	58.20	4	92.86	4	111.55	4	120.31	80	137.20
5	59.20	5	93.33	5	111.80	5	120.43	90	137.55
6	60.30	6	93.80	6	112.05	6	120.55	500	137.85
7	61.25	7	94.27	7	112.28	7	120.66	10	138.15
8	62.20	8	94.73	8	112.52	8	120.77	20	138.45
9	63.10	9	95.17	9	112.76	9	120.88	30	138.75
40	64.00	90	95.60	140	113.00	190	121.00	540	139.05
1	64.95	1	96.04	1	113.20	1	121.10	50	139.30
2	65.90	2	96.50	2	113.43	2	121.21	60	139.55
3	66.75	3	96.95	3	113.64	3	121.32	70	139.80
4	67.60	4	97.40	4	113.85	4	121.43	80	140.05
5	68.45	5	97.85	5	114.05	5	121.53	600	140.55
6	69.30	6	98.30	6	114.25	6	121.62	20	140.95
7	70.10	7	98.74	7	114.45	7	121.71	40	141.35
8	70.90	8	99.17	8	114.64	8	121.80	60	141.75
9	71.70	9	99.58	9	114.82	9	121.90	80	142.05
50	72.50	100	100.00	150	115.00	200	122.00	700	142.35

TABLE IV

Showing method of calculating increased value of lot located on corner of business street, thru such corner influence. Does not necessarily apply to strictly residence property.

CORNER LOT PERCENTAGE TABLE

(ZANGERLE CURVE)

(For Depth of Side Street which is the Frontage on the Main Street)

Feet	%	Feet	%	Feet	%	Feet	%	Feet	%
5	15	25	46	45	60.7	65	67	85	70.5
10	25	30	51	50	63	70	68	90	71
15	33	35	55	55	64.5	75	69	95	71.5
20	40	40	58	60	66	80	70	100	72

Example—illustrating above table. Lot 50 ft. on high valued street ($1000 per front foot) by 100 ft. on side street ($300 per front foot).

Main Street: 50 ft. front×$1000×100= $50,000 front value.
(100% from Table III, 100 ft. depth.)

PLUS CORNER INFLUENCE
Side Street: 100 ft. front×$300×63%= 18,900
(63% from Table IV—50 ft. depth.
$68,900 Lot Value.

Note: Corner Influence may be considered only 100 ft. back from Main Street. Any excess in depth must be added, but at flat side street frontage price only. For example, if above lot had been 120 ft. on side street, the excess of 20 ft. would be valued at 20 ft.×$300×72.5%=$4,350, added to above lot value=$73,250. (72.5% from Table III—50 ft. depth.)

EXAMPLE—ILLUSTRATING TABLE IV.

Lot=80 ft.×150 ft.
Unit Value=$50.00.
From table, 150 ft. depth equals 115% of unit value.
80 ft.×$50.00×115%=$4600.00—value of lot.

THEATER LEASE

(This is an excellent form of theater lease. Note the reference to equipment, and provisions for its preservation. Also, note provisions regarding special police legislation, and the observance of laws and ordinances, etc.)

THIS INDENTURE OF LEASE entered into at ...., ..., this .... day of ...., 19..., by and between................................ party of the first part, hereinafter designated the LESSOR, and ...., party of the second part, hereinafter designated the LESSEE, WITNESSETH:

1. That the LESSOR does hereby let and lease unto the LESSEE the following described premises, to-wit:

> The .... Theatre, so-called, located at No. ....Street, in the City of ...., ..., together with the entrance lobby leading thereto and all exits and exitways therefrom; also all carpets, chairs, stage equipment, scenery and other theatrical fixtures and appurtenances belonging thereto, as at present constituted; a schedule of the foregoing personal property included in the demised premises, identified by the signatures of the parties, is hereto attached, marked "Exhibit A" and made part hereof.

The aforesaid premises shall be used by the LESSEE for the purpose of conducting therein a high class (insert herein the kind of theatre) theatre, and nothing of an improper, illegal or immoral nature shall be permitted therein.

2. TO HAVE AND TO HOLD the demised premises unto the LESSEE for the term of .... (......) years, beginning on the .... day of ...., 19...., and ending on the .... day of ...., 19.....

3. The LESSOR covenants with the LESSEE that, conditioned upon the performance by the LESSEE of the covenants and agreements hereof by it to be performed and observed, the LESSEE shall have the peaceable possession and enjoyment of the demised premises, without the lawful let, hindrance or disturbance of any person or persons whomsoever.

4. During the term of this lease the LESSEE will pay to the LESSOR, at such place in the city of ...., ..., as the LESSOR may from time to time designate, in equal .... payments in advance, commencing the .... day of ...., 19...., rent as follows:

(Insert Schedule of Rentals)

5. The LESSEE shall pay all special taxes and assessments or license fees levied, assessed or imposed by law or ordinance, by reason of the use of said premises and property for the aforesaid purposes, and shall keep the LESSOR harmless and free from any loss, cost, damage or expense by reason of the same, as well as on account of any penalties or damage resulting from any violation of law or ordinance resulting from the use of said demised premises by the LESSEE.

6. The LESSEE shall promptly pay all charges for electric current, water and heat furnished to the LESSEE and/or the demised premises during the period of this lease.

7. The LESSEE agrees to comply with all lawful rules, orders and regulations relating to the demised premises, the use thereof, and in connection with the operation of said theatre. However, it is agreed that no failure on the part of the LESSEE to comply with any law or ordinance prohibiting the operation of theatres on Sundays or after prescribed hours, shall be treated as a default on the part of the LESSEE under this lease, anything in this lease to the contrary notwithstanding, provided that the LESSOR'S estate and interest in the demised premises be not in any manner endangered thereby.

8. The LESSEE will keep and maintain all of the personal property, equipment, furnishings and furniture included in the demised premises in good condition and in good repair during the period of this lease, and will surrender the same to the LESSOR at the expiration of the period of this lease in as good condition as such property shall have been at the time of the commencement of the term hereof, except for the consequences of ordinary use and natural wear. The LESSEE will promptly repair any of said property that may become damaged, broken or so worn as to be unfit for use; provided that if as the result of ordinary wear any of said property should become unfit for use for the purposes intended, the LESSEE shall replace the same with other property of the same kind and character. The LESSEE shall replace all broken glass with glass of the same size and quality as that broken.

9. The LESSEE will not assign this lease without the written consent of the LESSOR first had; nor will the LESSEE sublet said premises or any part thereof without the consent of the LESSOR first had; and will not permit any transfer by operation of law of LESSEE'S interest in said premises acquired through this lease.

10. The LESSOR may have free access to the premises at all reasonable times for the purpose of examining the same, or to make any alterations or repairs to the building that the LESSOR may deem necessary for its safety or preservation, and also during the last three months of the term of this lease for the purpose of exhibiting said premises and putting up the usual notice "To Rent" or "For Sale," which notice shall not be removed, obliterated or hidden by the LESSEE.

11. The LESSOR shall not be liable for any damage occassioned by failure to keep said premises in repair and shall not be liable for any damage done or occasioned by or from plumbing, gas, water, steam or other pipes, or sewage, or the bursting, leaking or running of any cistern, tank, washstand, water closet, or waste pipe in, above, upon or about said premises or building, nor any damage occasioned by water, snow or ice being upon or coming through the roof, skylight, trap door or otherwise, nor for any damage arising from acts or negligence of co-tenants or other occupants of the same building, or any owners or occupants of adjoining or contiguous property.

12. If default be made in payment of the rentals reserved hereunder, or any part thereof, or in fulfillment of any of the covenants or agreements herein specified to be fulfilled by the LESSEE, or if any waste be committeed or unnecessary damage done upon or to said premises, the LESSOR may, at the LESSOR'S election, at any time while such default continues, or before the replacement or repair of such waste or damage, without notice, declare the said term ended, and enter into possession of said premises, and sue for and recover all rents and damages accrued or accruing under this lease or arising out of any violation thereof; or the LESSOR may sue and recover without declaring this lease void or entering into possession of said premises.

13. Every demand for rent due, wherever and whenever made, shall have the same effect as if made at the time it falls due and at the place of payment, or on the premises; and after the service of any notice or commencement of any suit, or final judgment therein, the LESSOR may receive and collect any rent due, and such collection or receipt shall not operate as a waiver of nor affect such notice, suit or judgment. Any notice or summons to be served by or on behalf of the LESSOR upon the LESSEE under this lease, or in connection with any proceeding or action growing out of this lease, or the tenancy arising therefrom, may be sufficiently served by leaving such notice or summons addressed to the LESSEE upon the demised premises.

IN WITNESS WHEREOF the parties hereto have set their hands to duplicate hereof the day and year first above written.

In presence of:

....

Lessor.

....

Lessee.

(Acknowledgements)

BILLBOARD AND SIGN LEASE

(This lease is one used by a billboard and electrical sign concern that does a nation wide business.)

In consideration of .... Dollars ($...........) per year, payable at the office of THE BLANK CO. in .... installments; receipt of the first installment being hereby acknowledged the undersigned LESSOR hereby leases exclusively to THE BLANK CO. the premises described as follows .... with the right of ingress to and egress from the same, for the purpose of erecting and maintaining advertising signs, sign boards, bulletin boards thereon, and for storage purposes, from the .... day of .... 192...., to the .... day of .... 192...., and grants to the LESSEE the privilege and option to renew and continue this lease for a like period upon like terms and conditions, provided it shall give written notice to the LESSOR at any time within sixty days prior to the expiration of the term herein provided of its election to exercise such option, such notice to be delivered to the LESSOR personally or sent by mail to the address given below or such other address as the LESSOR may hereafter in writing designate.

It is expressly agreed that the LESSOR may terminate this lease by giving the LESSEE thirty days' notice in writing and refunding to the LESSEE pro rata the rent paid in advance, in case the LESSOR improves the said premises by erecting a permanent building thereon, requiring the removal of the LESSEE'S signs, sign boards or bulletin boards, provided that in case such proposed improvement shall not be made within a reasonable time after the giving of such notice to the LESSEE this lease shall at the option of the LESSEE be reinstated and continue in full force for the term above provided. Provided, however, that after the improvements are made by the LESSOR pursuant to said notice, THE BLANK CO. shall be given the option to lease said premises for advertising purposes for the remainder of the term herein granted, and upon the terms and conditions herein specified. The rent payable hereunder shall be abated during the time that the LESSEE is deprived of the possession and use of said demised premises.

In case any restriction on the construction or maintenance of advertising signs, sign boards or bulletin boards are imposd by statute or by ordinance of the city, town or village in which said premises are located, or, in case any such restriction, statute, ordinance or other rules or regulations, already existing, be enforced, or in case the Federal, State, Municipal or other public authorities shall hereafter establish any rules or regulations, or taxation, which shall have the effect of so restricting the location, construction, maintenance or operation of signs, sign boards or bulletin boards as to diminish the value of said premises for advertising purposes in the judgment of the LESSEE, or increasing the cost of using said leased premises for advertising purposes as above provided, or in case the view of the premises shall become obstructed the LESSEE may terminate this lease upon giving the LESSOR ten days' notice in writing, and the LESSOR shall refund, pro rata, any rent paid in advance.

All structures or material placed upon the premises by the LESSEE shall remain its property and may be removed by it at any time.

THE BLANK COMPANY (SEAL) ....(SEAL) { Owner / Tenant / Agent

By .... Address ....

APARTMENT HOUSE LEASE

(One of the most complete apartment house leases in existence in this country is that used by The Chicago Real Estate Board. It may be used completely or in part, as the apartment owner desires.)

THIS INDENTURE, Made this .... day of .... A. D. One Thousand Nine Hundred and .... between .... hereinafter called LESSOR, and .... hereinafter called LESSEE.

WITNESSETH, That LESSOR, for and in consideration of the covenants and agreements hereinafter contained and made on the part of the LESSEE, does hereby demise and lease to LESSEE for use only by LESSEE, and for a private residence or dwelling only, the premises known and described as follows, to-wit: Apartment No. .... on the .... floor of the building located at ...., together with the appurtenances thereto belonging, in the City of Chicago, County of Cook and State of Illinois.

TO HAVE AND TO HOLD THE SAME for and during the term commencing on the .... (..........) day of .... A. D., One Thousand Nine Hundred and .... (19....), and expiring on the .... (........) day of .... A. D., One Thousand Nine Hundred and .... (........), inclusive.

In consideration of said demise, and the covenants and agreements hereinafter expressed, it is covenanted and agreed as follows:

First: LESSEE shall pay to LESSOR, at the office of .... the rent per month of .... dollars $............, in advance, for the term created by this lease. Said rent shall be due and payable on the first day of each and every month of said term, it being agreed by the parties hereto that the time of each and all of such payments is of the essence of this agreement.

Second: Said premises shall not be occupied in whole or in part by any person other than LESSEE, and LESSEE shall not sublet the same or any part thereof, nor assign this lease without, in each case, the consent in writing of LESSOR first had and obtained; nor permit to take place by any act or default of himself or any person within his control, any transfer by operation of Law of LESSEE'S interest created hereby; nor offer for lease or sublease the said premises, nor any portion thereof, by placing notices or signs of "To Let," "Furnished Room" or "Rooms to Rent," or any other similar sign or notice in any place, nor by advertising the same in any newspaper or place or manner whatsoever without, in each case, the consent in writing of LESSOR first had and obtained. If LESSEE, or any one or more of the LESSEES, if there be more than one, shall make an assignment for the benefit of creditors, or shall be adjudged a bankrupt, LESSOR may terminate this lease, and in such event LESSEE shall at once pay LESSOR a sum of money equal to the entire amount of rent reserved by this lease for the then unexpired portion of the term hereby created, as liquidated damages.

Third: LESSEE shall not permit any unlawful or immoral practice, with or without his knowledge or consent, to be committed or carried on therein by himself or by any other person whomsoever; nor use nor permit to be used said premises nor any part thereof as a boarding or lodging house, nor for rooming or school purposes, nor to give instructions in music or singing, nor for any use other than that of private residence or dwelling; nor allow said premises to be used for any purpose that will increase the rate of insurance thereon, nor keep or use or permit to be kept or used in or on said premises, or in or on any place contiguous thereto, any inflammable fluids or explosives without the written permission of LESSOR first had and obtained; nor permit said premises to be used for any purpose of trade, business or entertainment, nor for any purposes whatsoever that will injure the reputation of the premises or of the building of which they form a part or which will disturb the tenants of said building or the inhabitants of the neighborhood.

Fourth: LESSEE has examined said premises prior to and as a condition precedent to his acceptance and the execution hereof, and is satisfied with the physical condition thereof, and his taking possession thereof shall be conclusive evidence of his receipt thereof in good order and repair, except as otherwise specified hereon, and agrees and admits that no representation as to the condition or repair thereof has been made by LESSOR or his agent, which is not herein expressed, or endorsed hereon; and likewise agrees and admits that no agreement or promise to decorate, alter, repair or improve said premises, either before or after the execution hereof, not contained herein, has been made by LESSOR or his agent.

Fifth: LESSEE shall keep the said premises and the walls, ceilings, floors, woodwork, paint, plastering, plumbing, pipes, fixtures, kitchen ranges, globes and glassware, and appurtenances thereto in said demised premises in a clean, sightly and healthy condition, and in good repair, all according to the statutes and ordinances in such cases made and provided, and the directions of public officers thereunto duly authorized, all at his own expense, and shall yield the same back to LESSOR upon the termination of the said lease, whether such termination shall occur by expiration of the term or in any other manner whatsoever, in the same condition of cleanliness, repair and sightliness as at the date of the execution hereof, loss by fire and reasonable wear and tear excepted. LESSEE shall make all necessary repairs and renewals to walls, ceilings, floors, woodwork, paint, plastering, plumbing, pipes and fixtures in or upon said premises whenever damage or injury to the same shall have resulted from misuse or neglect, or any cause other than LESSOR'S acts, and replace broken globes, glass and fixtures with material of the same size and quality as that broken. LESSEE likewise shall replace broken or worn-out parts of kitchen ranges or appurtenances thereto or appliances thereof when the same shall have been lost or broken by LESSEE or any other person. If, however, the said premises shall not thus be kept in good repair and in a clean, sightly and healthy condition by LESSEE, as aforesaid, LESSOR may enter the same, himself or by his agents, servants or employes, without such entering causing or constituting a termination of this lease or an interference with the possession of the premises by LESSEE, and LESSOR may replace the same in the same condition of repair, sightliness, healthiness and cleanliness as existed at the date of execution hereof, and LESSEE agrees to pay LESSOR, in addition to the rent hereby reserved, the expenses of LESSOR in thus replacing the premises in that condition. LESSEE shall not cause or permit any waste, misuse or neglect of the water, or of the water, gas or electric fixtures.

Sixth: LESSEE shall allow LESSOR, his agents, employes or servants, or any other person thereunto authorized by LESSOR, free access to the premises hereby leased for the purpose of examining same, to ascertain if the same are in a clean, sightly and healthy condition, and to make such repairs or alterations as LESSOR may see fit to make, and to exhibit the same to prospective purchasers of the building in which said premises are contained, and to prospective tenants in the place of LESSEE, and for the last mentioned purposes to allow to be placed in and upon said premises, at such places as may be directed by LESSOR, notices of "For Rent;" and LESSEE undertakes and agrees that neither he nor any person within his control will interfere with said notices when thus placed. LESSOR shall have the right of access herein mentioned with or without LESSEE'S consent. If LESSEE or any person under his control, shall refuse or fail to allow access to said premises as in this paragraph provided, or to allow the placing of any "For Rent" notice as in this paragraph provided, or shall interfere with any such notice, he shall pay to LESSOR, as liquidated damages and not a penalty, for each such violation a sum equivalent to three months' rent, it being recognized that the actual damage caused by such violations, while real and substantial are very difficult, if not impossible, of ascertainment.

Seventh: LESSOR shall not be liable to LESSEE for any damage or injury to him or his property occasioned by the failure of LESSOR to keep said premises in repair, and shall not be liable for any injury done or occasioned by wind or by or from any defect of plumbing, electric wiring or of insulation thereof, gas pipes, water pipes or steam pipes, or from broken stairs, porches, railings or walks, or from the backing up of any sewer pipe or down-spout, or from the bursting, leaking or running of any tank, tub, washstand, water closet or waste pipe, drain, or any other pipe or tank in, upon or about said building or premises, nor from the escape of steam or hot water from any radiator, it being agreed that said radiators are under the control of LESSEE, nor for any such damage or injury occasioned by water, snow or ice being upon or coming through the roof, skylight, trap-door, stairs, walks or any other place upon or near said premises, or otherwise, nor for any such damage or injury done or occasioned by the falling of any fixture, plaster or stucco, nor for any damage or injury arising from any act, omission or negligence of co-tenants or of other persons, occupants of the same building or of adjoining or contiguous buildings or of owners of adjacent or contiguous property, or of LESSOR'S agents or LESSOR himself, all claims for any such damage or injury being hereby expressly waived by LESSEE.

Eighth: LESSEE shall not attach, affix or exhibit or permit to be attached, affixed or exhibited, except by LESSOR or his agent, any articles of permanent character or any sign, attached or detached, with any writing or printing thereon, to any window, floor, ceiling, door or wall in any place in or about said premises, or upon any of the appurtenances thereto, without in each case the written consent of LESSOR first had and obtained; and shall not commit or suffer any waste in or about said premises; and shall make no changes or alterations in the premises by the erection of partitions or the papering of walls, or otherwise, without the consent in writing of LESSOR; and in case he shall affix additional locks or bolts on doors or window, or shall place in said apartment lighting or bathroom fixtures without the consent of LESSOR first had and obtained, such locks, bolts and other fixtures shall remain for the benefit of LESSOR, and without expense of removal or maintenance to LESSOR. LESSOR shall have the privilege of retaining the same if he desires. If he does not desire to retain the same, he may remove and store the same, and LESSEE agrees to pay the expense of removal and storage thereof.

Ninth: Where the building is equipped for the purpose, LESSOR shall furnish to LESSEE, only in the tubs, basins, pipes and faucets, provided for such purpose, hot water during the term of this lease, and in the radiators a reasonable amount of hot water heat or steam heat at reasonable hours, if the weather and temperature require it, from the 1st day of October until the 30th day of April of the succeeding year for the use of LESSEE, except when prevented by strike, accident, or other cause beyond the control or prevention of LESSOR, and except during the repairing of the apparatus provided in said building for the furnishing of said water and heat. LESSOR shall not be held liable for any injury or damage whatsoever which may arise or accrue from his failure to furnish cold or hot water or heat, regardless of the cause of such failure, all claims for such injury or damage being hereby expressly waived by LESSEE.

Tenth: In case said premises shall be rendered untenantable by fire, explosion or other casualty, LESSOR may, at his option, terminate this lease or repair said premises within thirty days. If LESSOR does not repair said premises within said time, or the building containing said premises shall have been wholly destroyed, the term hereby created shall cease and determine.

Eleventh: At the termination of this lease, by lapse of time or otherwise, LESSEE shall yield up immediate possession to LESSOR, and return the keys to said apartment to LESSOR at the place stipulated herein for the payment of rent, and failing so to do, shall pay as liquidated damages for the whole time such possession is withheld a sum equal to twice the amount of the rent herein reserved, pro-rated and averaged per day of such withholding. But the provisions of this clause and the acceptance of any such liquidated damages by LESSOR shall not constitute a waiver by LESSOR of his right of re-entering as hereinafter set forth, nor shall any other act in apparent affirmance of the tenancy operate as a waiver of the right to terminate this lease or operate as an extension thereof.

Twelfth: If LESSEE shall vacate or abandon said premises or permit the same to remain vacant or unoccupied for a period of ten days, or in case of the non-payment of the rent reserved hereby, or any part thereof, or of the breach of any covenants in this lease contained, LESSEE'S right to the possession of the demised premises, thereupon shall terminate, with or without any notice or demand whatsoever, and the mere retention or possession thereafter by LESSEE shall constitute a forcible detainer of said demised premises, and if the LESSOR so elects, but not otherwise, and with or without notice of such election or any notice or demand whatsoever, this lease shall thereupon terminate, and upon the termination of LESSEE'S right of possession, as aforesaid, whether this lease be termintaed or not, LESSEE agrees to surrender possession of the demised premises immediately, without the receipt of any demand for rent, notice to quit or demand for possession of the demised premises whatsoever, and hereby grants to LESSOR full and free license to enter into and upon said premises or any part thereof, to take possession thereof with or without process of law, and to expell and remove LESSEE or any other person who may be occupying the said premises or any part thereof as a member of his family or otherwise, and LESSOR may use such force in and about expelling and removing LESSEE and said other person as may reasonably be necessary, and LESSOR may re-possess himself of the said premises as of his former estate, but said entry of said premises shall not constitute a trespass or forcible entry or detainer, nor shall it cause a forfeiture of rents due by virtue thereof, nor a waiver of any ocvenant, agreement or promise in said lease contained, to be performed by LESSEE. LESSEE hereby waives all notice of any election made by LESSOR hereunder, demand for rent, notice to quit, demand for possession, and any and all notices and demands whatsoever, of any and every nature, which may or shall be required by any statute of this state relating to forcible entry and detainer, or to landlord and tenant, or any other statute, or by the common law, during the term of this lease or any extension thereof. The acceptance of rent, whether in a single instance or repeatedly, after it falls due, or after knowledge of any breach hereof by LESSEE, or the giving or making of any notice or demand, whether according to any statutory provision or not, or any act or series of acts except an express written waiver, shall not be construed as a waiver of LESSOR'S right to act without notice or demand or of any other right hereby given LESSOR, or as an election not to proceed under the provisions of this lease.

Thirteenth: If LESSEE'S right to the possession of said premises shall be terminated in any way, said premises, or any part thereof, may, but need not, be relet by LESSOR, for the account and benefit of LESSEE, for such rent and upon such terms and to such persons and for such period or periods as may seem fit to the LESSOR, but LESSOR shall not be required to accept or receive any tenant offered by LESSEE, nor to do any act whatsoever, or exercise any diligence whatsoever, in or about the procuring of another occupant or tenant to mitigate the damages of LESSEE or otherwise, LESSEE hereby waiving the use of any care or diligence by LESSOR in the reletting thereof; and if a sufficient sum shall not be received from such reletting to satisfy the rent hereby reserved, after paying the expenses of reletting and collection, including commissions to agents, which shall be figured and allowed to LESSOR at the rate of five per cent on the total amount of the rent reserved by such reletting, but in no event to be less than Ten Dollars, and including also expenses of redecorating, LESSEE agrees to pay and satisfy all deficiency; but the acceptance of a tenant by LESSOR, in place of LESSEE, shall not operate as a cancellation hereof, nor to release LESSEE from the performance of any covenant, promise or agreement herein contained, and performance by any substituted tenant by the payment of rent, or otherwise, shall constitute only satisfaction pro tanto of the obligations of LESSEE arising hereunder.

Fourteenth: LESSEE shall pay and discharge all costs, expenses and attorney's fees, which shall be incurred and expended by LESSOR in enforcing the covenants and agreements of this lease, whether by the institution of litigation or in the taking advice of counsel, or otherwise.

Fifteenth: If default be made in the payment of the rent hereinabove reserved, or of any installment thereof as herein provided, LESSEE does hereby irrevocably constitute any attorney of any Court of Record in this State, attorney for him and in his name, from time to time, to waive the issuance of process and service thereof, to waive trial by jury, to confess judgment in favor of LESSOR, his heirs, executors, administrators or assigns, and against LESSEE, for the amount of rent which may be then due, by virtue of the terms hereof, or of any extensions or renewals hereof, or by virtue of any holdover after the termination hereof, and which may be in default, as aforesaid, together with the costs of such proceedings, and a reasonable sum, but at no time less than Ten Dollars, for plaintiff's attorney's fees in or about the entry of said judgment, and for said purposes to file in said cause his cognovit thereof, and to make an agreement in said cognovit, or elsewhere, waiving and releasing all errors which may intervene in any such proceeding, and waiving and releasing all right of appeal and writ of error, and consenting to an immediate execution upon such judgment; and LESSEE hereby confirms all that said attorney may lawfully do by virtue hereof. LESSORS shall have a first lien on LESSEE'S interest hereunder, and on LESSEE'S property now or hereafter located in said premises, or elsewhere, to secure the payment of all moneys due hereunder, which lien may be foreclosed in equity, and in case of any such foreclosure proceedings, a receiver shall be appointed to take possession of said premises and property and relet the premises under order of court.

Sixteenth: The obligation of LESSEE to pay the rent reserved hereby during the balance of the term hereof, or during any extension hereof, shall not be deemed to be waived, released or terminated, nor shall the right and power to confess judgment given in clause fifteenth hereof be deemed to be waiveed or terminated, by the service of any five-day notice, other notice to collect, demand for possession, or notice that the tenancy hereby created will be terminated on the date therein named, the institution of any action of forcible detainer or ejectment or any judgment for possession that may be rendered in such action, or any other act or acts resulting in the termination of LESSEE'S right to possession of the demised premises. The LESSOR may collect and receive any rent due from LESSEE, and payment or receipt thereof shall not waive or affect any such notice, demand, suit or judgment, or in any manner whatsoever waive, affect, change, modify or alter any rights or remedies which LESSOR may have by virtue hereof.

Seventeenth: The rules and regulations contained on the reverse side hereof are made a part hereof by reference and incorporated herein, and LESSEE shall observe the same. Failure to keep and observe the said rules will constitute a breach of the terms of this lease in the same manner as if the said rules were contained herein as covenants, and a failure to observe the same shall be of the same effect. LESSEE shall keep and observe such further reasonable rules and regulations as may later be required by LESSOR, which may be necessary for the proper and orderly care of the building of which the premises herein demised are a part.

Eighteenth: All covenants, promises, representations and agreements herein contained shall be binding upon, apply and inure to the benefit of the heirs, executors, administrators or assigns respectively of LESSOR and LESSEE.

Nineteenth: The rights and remedies hereby created are cumulative and the use of one remedy shall not be taken to exclude or waive the right to the use of another.

Twentieth: The words "LESSOR" and "LESSEE" wherever and whenever used herein, though expressed in the singular number, shall nevertheless be taken to apply to the persons, one or more, male or female, and by the firms or corporations, though plural in number, respectively, as the same may be described as LESSOR or LESSEE hereinabove, and all pronouns used herein and referring to said parties shall be construed accordingly, regardless either of number or gender thereof. If there be more than one LESSEE the warrant of attorney contained in Clause "Fifteenth" is given jointly and severally and shall authorize the entry of appearance of waiver of issuance of process and trial by jury, by and confession of judgment, against, any one or more of such LESSEES, and shall authorize the performance of every other act mentioned in said Clause "Fifteenth," in the name of and on behalf of any one or more of such LESSEES.

WITNESS the hands and seals of the parties hereto the day and year first above written.

In the presence of ....(SEAL)
........................(SEAL)
....(SEAL)

RULES AND REGULATIONS.

1. Tenants will not be allowed to put their names in any entry, passageway, vestibule, hall or stairway of the building except in the proper place in the mail box provided for use of the apartments occupied by them respectively.

2. No rugs shall be beaten on the porches, nor dust, rubbish or litter swept from the demised premises or any room thereof into any of the halls or entryways of the building containing said premises, except under the direction of the janitor thereof; nor shall any such dust, rubbish or litter or anything else be thrown or emptied from any of the windows or porches of the said building.

3. Children shall not be permitted to loiter or play on the stairways or front porches or in the halls.

4. The sidewalks, entries, passages, vestibules, halls and stairways the outside of the several apartments shall not be obstructed or used for any other purpose than for ingress and egress to and from the respective rooms or apartments.

5. The water closets and other water apparatus shall not be used for any purpose other than that for which they were constructed, and no sweepings, rubbish, rags, paper, ashes, or other substances shall be thrown therein. Any damage resulting to them from misuse of any nature or character whatever shall be paid for by the tenant who shall cause it.

6. All provisions, milk, ice, groceries, furniture, baby carriages, bicycles, boxes and like merchandise shall be taken into or removed from the demised premises through the rear door of said building only. All damages to the building, caused by the moving or carrying of articles therein, shall be paid by the tenant, or person in charge of such articles.

7. Nothing shall be thrown by the tenants or their servants out of the windows or doors, or down the passages, courts, areas or skylights of the building, nor shall anything be hung from the outside of the windows or placed on the outside window sills.

8. Dogs, cats, parrots or other birds, reptiles or animals are not allowed on demised premises.

9. No spikes, hooks or nails shall be driven into the walls or woodwork of the demised premises. No crating or boxing of furniture or other articles will be allowed within demised premises.

10. The front hall, stairway and back porches shall not be used for the storage of furniture or other articles.

11. There shall be no cooking or baking done except in the kitchen.

12. The water shall not be left running any unreasonable or unnecessary length of time in the demised premises.

13. No tenant shall interfere in any manner with any portion either of the heating or lighting apparatus in or about the demised premises nor in or about the building containing the same.

14. Laundry work shall be done only in the rooms provided for such purposes in the demised premises. Electric washing machines and apparatus shall be used on operated in basement only. The use of water-power washing machinees is prohibited except by written consent of LESSOR or his agent.

ASSIGNMENT BY LESSOR.

In consideration of $1.00 to the undersigned in hand paid, and of other good and valuable considerations, the undersigned, the LESSOR described in the within instrument, hereby transfers, assigns and sets over to............ ...., and his heirs, executors, administrators, and assigns, his entire interest in and to the within lease, and the rent thereby reserved.

WITNESS the hand and seal of the LESSOR this .... day of ...., A. D. 19.....

...................................(SEAL)

...................................(SEAL)

ASSIGNMENT BY LESSEE.

For value received, the undersigned, the LESSEE described in the within instrument, does hereby assign all right, title and interest in and to the said lease to ...., his heirs, executors, administrators and assigns, and in consideration of the consent of this assignment by LESSOR does hereby guarantee the performance by Assignee, or by his heirs, executors, administrators or assigns, of all covenants, agreements and conditions contained in said lease, on the part of LESSEE or Assignee to be performed. In the event, however, of the failure of Assignee to perform any of the promises, covenants and agreements contained in said lease, this assignment shall not be taken to modify or limit in any manner the obligations of this Assignor, created by the said lease, but LESSOR or his heirs, executors, administrators or assigns, may have such remedies against this Assignor, including the confession of judgment for moneys due as by this lease provided, in the same manner as if this assignment had not been made. The LESSEE, Assignor herein, for the consideration aforesaid, hereby waives all right to any and all notice from LESSOR, his heirs, executors, administrators or assigns, of covenants broken by .... or of rent or moneys due from Assignee, his heirs, executors, administrators or assigns or of assignment made by him or them.

It is further agreed by this LESSEE, herein upon the considerations aforesaid that the taking by LESSOR or of any remedy as by confession of judgment against Assignee or Guarantor shall not preclude LESSOR from the exercise of such remedy against him, the undersigned Assignor, but LESSEE may have the same remedy against LESSEE, the said Assignor, and Assignee and Guarantor at the same or different times, and LESSOR shall be limited only, and at all events, to one satisfaction for any debts or obligations that may accrue under or by virtue of the within lease, or assignment thereof, or any extension or renewal thereof, or by virtue of any holdover after termination thereof, or which may accrue by virtue of the breach of any covenant, promise or agreement therein contained.

WITNESS the hand and seal of the undersigned Assignor this..........
.... day of .... A. D., 19.....
..................................(SEAL)
..................................(SEAL)

ACCEPTANCE BY LESSEE'S ASSIGNEE.

In consideration of the above assignment and the written consent of LESSOR thereto, the undersigned hereby assumes and agrees to make all payments, and to perform and keep all promises, covenants, conditions and agreements of the within lease by LESSEE to be made, kept and performed; and it is agreed by and between LESSOR and Assignee, the undersigned hereto, that the within lease is hereby incorporated by reference thereto in this acceptance, and all of the terms thereof shall be read and understood herein in the same manner as they are expressed in the said lease. It is likewise further agreed by and between LESSOR and Assignee that no further assignment or subletting of the premises described in said lease, or any part thereof, will be made without the written consent of LESSOR first had and obtained.

IT IS FURTHER AGREED upon the consideration aforesaid that the taking by LESSOR of any remedy, as by confession of judgment against LESSEE or Guarantor, shall not preclude LESSOR from the exercise of said remedy against this Assignee, but LESSOR may have the same remedy against him, his heirs, executors, administrators or assigns simultaneously with that against LESSEE and Guarantor, and LESSOR shall be limited only and at all events to one satisfaction for any debts or obligations which may accrue under or by virtue of the within lease, or assignment thereof, or any extension or renewals thereof, or by virtue of any holdover after termination thereof, which may accrue by virtue of a breach of any covenant, promise or agreement therein contained.

If default be made by Assignee in the payment of the rent reserved to be paid by the within lease, by the foregoing assignment and by this acceptance thereof, or by virtue of any holdover after termination thereof, or of any installment thereof, the undersigned Assignee does hereby irrevocably constitute any attorney of any Court of Record in this State, attorney for him and in his name to appear in any Court of Record of this State in term time or vacation, to waive the issuance of process and service thereof, to waive trial by jury and to confess judgment in favor of LESSOR, his heirs, executors, administrators or assigns, and against the undersigned, Assignee of LESSEE, his heirs, executors, administrators or assigns for the amount of rent which may be then due by virtue of the terms of said lease, or by virtue of the assignment whereof this is the acceptance, or of any extensions or renewals thereof, or by virtue of any holdoved after the termination thereof, and which may be in default as aforesaid, together with the costs of such proceeding, and a reasonable sum, but at no time less than Ten Dollars for plaintiff's attorney's fees in or about the entry of such judgment, and for said purposes to file in said cause his cognovit thereof, and to make an agreement in said cofnovit or elsewhere, waiving and releasing all errors which may intervene in any such proceeding, and waiving and releasing all right of appeal and right to writ of error, and consenting to immediate execution upon such judgment; and undersigned Assignee hereby confirms all that said attorney may lawfully do by virtue hereof.

If there be more than one assignee undersigned the warrant of attorney contained in this acceptance is given jointly and severally, and shall authorize the entry of appearance of waiver of issuance of process, and trial by jury by, and confession of judgment against any one or more of such assignees, and shall also authorize the performance of every other act mentioned in this acceptance in the name of and on behalf of any one or more of such assignees.

WITNESS the hand and seal of the undersigned Assignee this.......... day of ....A. D., 19.....

..................................(SEAL)
..................................(SEAL)

CONSENT TO ASSIGNMENT.

The undersigned LESSOR hereby consents to the assignment of the within lease by LESSEE therein described, to Assignee above described, in consideration of the guarantee above herein contained of LESSEE and the premises, convenants and agreements therein expressed, and in consideration likewise of the covenants, promises and agreements of Assignee above set out.

WITNESS the hand and seal of LESSOR this .... day of ....A. D., 19.....

..................................(SEAL)
..................................(SEAL)

GUARANTEE.

For value received the undersigned hereby guarantees the payment of rent and the performance of the covenants by LESSEE, his heirs, executors, administrators or assigns in the within lease contained in manner and form as in said lease provided.

WITNESS the hand and seal of the undersigned Guarantor this......... day of ....A. D., 19.....

..................................(SEAL)
..................................(SEAL)

LEASE ON MANUFACTURING SPACE

(This very complete lease has been worked out, and is being extensively used, by a large Baltimore concern. It is the so-called "Primary" and "Secondary" rate lease, and may be adapted to any conditions.)

THIS AGREEMENT, Made this .... day of ...., 19...., between THE BLANK CO., Agents, of the City of Baltimore, State of Maryland, hereinafter called the LESSORS; and ....
....
hereinafter called the LESSEE.

WITNESSETH, That the LESSORS, for and in consideration of the payment of the rental and performance of the covenants and agreements hereinafter mentioned, including the rules and regulations hereunto attached and made a part of this lease, do hereby let and lease to the LESSEE, the following premises, situated in the City of Baltimore, State of Maryland, known and described as follows:...
....
....
Said space above described, being in building known as The Majestic Building.

TO HAVE AND TO HOLD the same for a term of .... years, commencing upon the .... day of................., 19...., and ending on the .... day of ...., 19....

THE CONDITIONS OF THIS LEASE are as follows: The LESSEE hereby covenants to pay the sum of .... Dollars per annum, as rent for the above described premises, which said sum is to be paid in twelve (12) equal installments by said LESSEE, on the............. day of each and every calendar month in advance during the continuance of this lease; it being agreed between the parties hereto that in determining the rent aforesaid, a "Primary" rate of ....cents per square foot for the area of .... square feet hereby demised is established to produce a net return to the owners of the said "The Majestic Building," free and discharged from all operating expenses thereon, while a "Secondary" rate of .... cents per square foot on the said area of .... square feet is established to cover the operating expenses of the said building, which operating expense shall cover taxes, insurance, water, heat, elevator service, watchman service, general maintenance of the building, together with any other cahrges or costs of a like and similar character. The Primary rate shall remain fixed for the continuance of the lease, while the Secondary rate shall be subject to adjustment at the close of each calendar year and is determined by dividing the total operating cost for the current calendar year by the rentable area of the building, which rentable area is 590,809 square feet. Should the cost of such operations be in excess of .... cents per square foot, the LESSEE agrees to pay as the Secondary rate hereunder such increased rate within thirty (30) days after demand therefor, and should the cost of operating the said building be less than .... cents per square foot, the LESSORS hereby agree to refund to the LESSEE within 30 days from the close of the calendar year, such amount as to adjust the Secondary rate to operating costs.

> (A.) It being agreed between the parties hereto that in the event of the termination or cancellation of this lease prior to the close of any calendar year, that the operating cost to such date of termination or cancellation of the then current year shall be the basis upon which the Secondary rate shall be determined.

In the event of the failure or refusal of the LESSEE to pay said rent as above stated, the LESSORS may distrain therefor and reserve the right to declare this lease forfeited after ten (10) days' written notice to the LESSEE. And thereupon said LESSORS shall have the right to enter into possession of the demised premises and to sue for and recover all the rent due at the rate aforesaid, or which may become due as aforesaid.

IT IS FURTHER covenanted and agreed that if said LESSEE shall move out or abandon said demised premises or any part thereof, the LESSORS may, if they shall so elect, re-let the same or any part thereof, on such terms, conditions and rentals as they may deem proper, and apply the proceeds that may be collected from the same, less the expense of re-letting upon the rent to be paid by the LESSEE, and hold the LESSEE for any balance that may be due under this lease; and such re-letting shall not operate as a termination of this lease or a waiver or postponement of any rights of the LESSORS against the LESSEE.

THE ABOVE DESCRIBED demised premises are to be used by the LESSEE for the following specific purposes and none other....................

....

And in the event said LESSEE shall use said demised premises for any other purposes than those above mentioned, or in the event that said LESSEE shall cause any unecessary damage to be done to the same, the LESSORS reserve the right at their election to declare this lease forfeited, and to re-enter upon and resume possession of the demised premises in like manner as upon failure or refusal of the LESSEE to pay rent.

THE SAID LESSEE FURTHER covenants and agrees that said premises shall be used and occupied for the purposes above mentioned, in a careful, safe and proper manner; that said premises, or any part thereof, shall not be used for any purpose except as heretofore described, nor shall said premises be underlet in whole or in part, nor shall this lease be assigned without the written consent of the LESSORS, under pain of forfeiting the residue of the term hereby granted at the election of the LESSORS in like manner as for failure or refusal to pay rent. The LESSEE further covenants and agrees, that in the event of the waiver at any time by the LESSORS of any particular covenant or condition of this lease, that said waiver shall extend to the particular case only and for the particular time and in the particular manner specified, and such waiver shall not be construed or understood as waiving any further or other rights of any character whatever.

SAID LESSEE FURTHER covenants and agrees that said demised premises, with all appurtenances, were in good order and condition when received by him, and that during the continuance of this lease the LESSEE will keep said demised premises and appurtenances in like good order and repair and in a clean and wholesome condition, without charge or expense to the LESSORS, and will not allow any waste or misuse of the water or electricity, and will pay for all damage to the building, as well as all damage to the tenants or occupants thereof, caused by any waste, misuse or neglect of said premises, its apparatus or appurtenances by said LESSEE, his clerks, agents, servants or employes. Said LESSEE further covenants that at the expiration of the time mentioned in this lease, or at the sooner termination thereof, by forfeit or otherwise, said LESSEE will yield up said demised premises, together with all its appurtenances, to said LESSORS, in good order and condition, and will surrender all keys of the several doors, and such other things as pertain to said demised premises.

IT IS FURTHER covenanted that any alterations in the demised premises, which may be made during the continuance of this lease, shall be at the expense of the LESSEE and by the mechanics of the LESSORS, and no alterations of any character shall be made unless a plan of the same be first submitted to the LESSORS, and until the LESSORS shall have given their written permission for such alterations to be made.

THE LESSEE FURTHER COVENANTS and agrees that he will not drill into any column, girder, beam, floor, ceiling or wall for the purpose of attaching shafts, pulleys, machinery, or for any other purpose without the written consent of the LESSORS.

THE LESSORS RESERVE the right at any time during the continuance of this lease to enter upon the said demised premises, either in person or through their designated agents or employes, for the purpose of inspecting said demised premises and ascertaining the condition of the same, or for any other purpose whatsoever.

IT IS FURTHER COVENANTED that the LESSORS shall not be liable for any loss or damage to any property caused by the Automatic Sprinkler with which said building is equipped.

IT IS FURTHER COVENANTED that the LESSORS shall not be liable for any loss or damage to any property placed in said demised premises, arising from any acts or neglect of co-tenants or other occupants of said building, or by any other person whatsoever, except the LESSORS.

THE LESSORS AGREE as a part of the above named consideration, to keep said premises properly heated, to furnish passenger and freight elevator service between the hours of 7:00 A. M. and 6:00 P. M. (Sundays and holidays excepted) and to furnish watchman's service without extra charge to the LESSEE; and they further agree to furnish to said LESSEE between the hours of 7:00 A. M. and 6:00 P. M. electrical power and electric light and live steam (Sundays and holidays excepted) at the rate as per attached schedule which is hereby made a part hereof.

The covenants herein to furnish heat, elevator service, light, power and live steam shall be subject, however, to the condition that the LESSORS are not prevented by reasons beyond their control, from securing necessary fuel to operate their machinery and to the condition that in the event of any breakdown in the machinery of the LESSORS, by which said machinery the said LESSORS expect to furnish such heat, elevator service, power, light and live steam to the LESSEE, so that because of said breakdown in said machinery said LESSORS are temporarily unable to furnish said heat, elevator service, power, light and live steam; or, are unable to secure the necessary fuel, then no liability shall attach to the LESSORS for such failure. Said LESSORS, however, agree to use reasonable care in securing the necessary fuel and in the preservation and maintenance of said machinery, and covenant that in the event of any breakdown or stoppage of said machinery, they will use due diligence in making a prompt repair of same.

IN THE EVENT the said demised premises shall be so damaged or destroyed as to be rendered untenantable by fire, act of God or otherwise, or in the event of the destruction of the machinery of the LESSORS by which said machinery said LESSORS furnish heat, elevator service, power, light and live steam to the LESSEE, so that said machinery cannot be repaired within a period of sixty (60) days, or the LESSORS are unable to furnish other electric current to the said LESSEE within a period of sixty (60) days, then, and in that event, this lease shall become wholly null and void as to all parties hereto, and all rights of such parties shall cease and become of no further force or effect. And in such event, it is specifically agreed that the LESSEE shall be under no further liability to pay rent to the LESSORS, and that the LESSORS shall be under no liability for damages to the LESSEE for failure to comply with the covenants herein contained and the LESSEE shall forthwith vacate the premises.

ON FAILURE to pay rent at maturity, or to give possession at the expiration of this lease, and as liquidated damages for such failure, it is agreed that double the rent above specified shall be paid for the time the rent remains due and unpaid, or said tenant holds possession after expiration of lease.

IT IS FURTHER covenanted and agreed that all of the covenants, conditions, agreements and obligations of this lease shall extend to and be binding upon the respective heirs, executors, administrators, successors and assigns of the respective parties hereto.

AND THE LESSORS, upon the performance of the terms and conditions of this lease by the LESSEE, will warrant and defend the LESSEE in the enjoyment and peaceable possession of the above demised premises during the term aforesaid.

IT IS FINALLY covenanted and agreed that this agreement with all its provisions and covenants shall continue in force from year to year after the expiration of the term above mentioned, provided, however, that the parties hereto, or either of them, can terminate the same at the end of the term above mentioned, or of any year thereafter, by giving at least three (3) months' previous notice thereof in writing.

IN WITNESS WHEREOF, The parties hereunto affixed their hands and seals in triplicate, the day and year first above written.

Signed, Sealed and Delivered ....(SEAL)
in presence of ....(SEAL)
....(SEAL)
....(SEAL)

RULES AND REGULATIONS.

HALLS, ETC. The halls, entries, passages, corridors, vestibules, elevators and stairways shall not be obstructed, or any rags, paper, dust or ashes, rubbish or other substance placed therein by either the tenants, their employes or the occupants of their demised premises, or be used by them for any other purpose than for ingress and egress to and from their respective rooms or offices.

ELEVATORS. The passenger elevators shall not be used for carrying heavy or bulky articles, and all such articles must be carried up or down on the freight elevators. All carrying of furniture and packages in the freight elevators must be done under the supervision of the janitor, engineer or operator.

SIGNS. No sign, advertisement, or notice shall be inscribed, placed or exhibited, painted or affixed on, upon or against any part of the outside or inside of the building by any tenant or occupant thereof, save and except upon the glass of the doors and windows of the demised premises, and then only of such form, size and color as the LESSORS shall prescribe in writing.

WIRES. No electric wires for any purpose shall be brought into the building except with the written permission of the LESSORS. If tenants desire telegraphic or telephonic connections, the LESSORS reserve the right to direct the electricians as to where and how the wires are to be introduced, insulated and protected, and without such direction no boring or cutting or use of the building will be permitted for such purpose.

ELECTRIC LIGHTS. Tenants shall furnish and pay for all lamps used by them.

SAFES. No safe, or other heavy article, shall be put in by any tenant without the written permission of the LESSORS, and then only in such manner and place as may be specified by the LESSORS.

KEYS. Tenants will be furnished three keys to each door for space covered by this lease. Extra keys will be furnished at the rate of twenty-five cents each, which will be refunded to the LESSEE at same rate upon being returned. A charge of twenty-five cents will be made for any keys of the original three not returned, upon moving from the building.

WATER CLOSETS. The water closets and other water fixtures shall not be used for any purpose other than those for which they were constructed, and any damage resulting from misuse thereof shall be borne by the tenant, whether caused by himself, his employes or any occupants of the demised premises.

WINDOW SHADES. Tenants will furnish their own shades and awnings under the direction of the LESSORS.

MISCELLANEOUS. Tenants shall keep and maintain the hereby demised premises in a cleanly and sanitary condition and nothing shall be thrown by the tenants, their clerks, servants or agents out of the windows or doors or down the corridors of the building.

No animals or birds, bicycles or other vehicles shall be allowed in the offices, corridors, halls, elevators or elsewhere in the building.

Tenants and occupants must not leave windows open when it rains or snows, and for any default or carelessness in these respects, shall make good any injury sustained by other tenants and to the LESSORS for damage to paint, plastering, or other parts of the building, resulting from such default or carelessness.

All glass, locks and trimmings in or upon the doors, and windows, respectively, belonging to the building, shall be kept whole, and when any part thereof shall be broken the same shall be immediately replaced or repaired and put in order by the LESSEE, under the direction and to the satisfaction of the LESSORS, and shall be left in good repair.

The LESSORS will furnish water for the toilets and wash basins, but all water used by the tenant for manufacturing or purposes other than provided in the toilet rooms, shall be paid for by the LESSEE.

Tenants shall make necessary provision to prevent water, oil or other liquid materials from leaking or wasting on the floors of said demised premises, and to so keep and use said premises in such manner as to avoid damage to or interference with the Sprinkler System, or the water, steam and plumbing pipes and any other equipment in or that may be put in or on said premises or building, and in the event of damage therefrom, said LESSEE shall pay the damage thereby sustained.

LESSEE shall pay the LESSORS on the first day of each calendar month for the electric current consumed for the preceding month, both for power and light.

The LESSORS will provide ample switchboards in the basement for light and power required for all rentable space, but LESSEE shall pay for and, under the supervision of the Chief Engineer, carry all feeds for power from said switchboards to and distribute same through that portion or portions of the building covered by this lease.

Tenants shall not do or permit anything to be done in or upon the demised premises which will in any way conflict with the conditions in any insurance policy upon the building or any part thereof, or in any way increase the rate of fire insurance upon the building or on property kept therein, or in any way conflict with the laws or ordinances of the City of Baltimore, or with the rules and regulations of its various departments, or in any way obstruct or interfere with the rights or comforts of other tenants of the building or injure or annoy them, or to allow said demised premises to be used for any improper, immoral, unlawful or objectional purposes, or for the keeping, storing or selling intoxicating loquors, or for any kind of eating house, or for sleeping purposes, or for washing or cooking therein.

Tenants, their clerks, employes or occupants of their demised premises shall not overload any part of the building, or put in or operate any power engine, boiler or stove, or keep or use oils, burning fluid, kerosene, naphtha, gasoline or other combustible material for heating, warming, lighting or any other purpose on the demised premises, or use anything but gas or electricity for illuminating the demised premises without the written consent of the LESSORS.

The LESSORS, their agent or representative, shall have the right to enter the premises to examine the same in order to make such repairs as shall be deemed necessary for the safety, care or preservation thereof, or of the building, or for the comfort or enjoyment of other tenants, or to cover any emergency that may arise, or at reasonable times to show persons wishing to lease the same; and to place and keep in place upon the doors or windows two months previous to the termination of the lease, a "For Rent" notice.

Tenants, their clerks, employes or the occupants of their demised premises shall not make or permit any improper noises in the building, or do anything that will annoy or disturb or interfere in any way with other tenants or those having business with them.

The water shall not be left running, or the electricity left burning, unless in actual use in the demised premises.

No spikes, screws, hooks or nails shall be put into the walls or woodwork of the building, nor shall the walls be marred in any manner.

The LESSORS reserve the right to change or rescind any of these Rules and Regulations, or to make such other and further reasonable changes as in their judgment may, from time to time, be necessary for the safety, care and convenience or cleanliness of the premises or for the comfort of the tenants.

It is understood between the LESSORS and the tenants that no assent or consent to any waiver of any part hereof by the LESSORS, in spirit or letter, shall be deemed or taken as made, except the same be done in writing and attached to or endorsed hereon by the LESSORS.

OFFICE BUILDING LEASE

(The following is a complete form of lease for use in connection with the renting of space in an office building. It is the standard form utilized by The Cleveland Association of Building Owners and Managers, and can be adapted to any condition and contains many interesting stipulations.)

1. THIS INDENTURE OF LEASE WITNESSETH: That ...., of ...., ..., the LESSOR, does hereby demise and lease unto........................ .... of ...., the LESSEE, the premises known and described as .... in the .... Building at .... for the term of .... beginning on the first day of ...., 19...., and ending on the last day of.............. 19...., unless the term hereby demised shall be sooner terminated as hereinafter provided.

2. In consideration of said demise the LESSEE covenants (1) to pay to the LESSOR as rent for said premises the sum of......................... ($...........) Dollars in equal monthly installments of .... ($...........) Dollars, and in addition thereto such sums which may accrue by virtue of the provisions of section two hereafter, payable in gold coin of the United States of America of or equal to the present standard of weight and fineness, or in its equivalent in value as the LESSOR may elect. All such sums are due and payable in advance on the first day of each and every calendar month during said term at the office of the said .... in Cleveland, Ohio, or such other place in said city as the LESSOR may in writing designate. (2) That the rental of said premises hereinbefore stipulated in paragraph two, section one, is fixed on the basis of the taxes paid by said LESSOR on the .... and on the ground thereunder during the year ...., which are the taxes due and payable in June and December of each year, and further on the basis of the cost to said LESSOR of the electric current used in the service of the building and on the cost of heating said building during the same period of time. Therefore said LESSEE agrees that in the event there shall be any increase after the date of this lease in the amount of taxes paid by said LESSOR on........ .... or on the ground thereunder or in the cost of electric current used in the service of the said building, or in the cost of heating said building, or, further, in the event that any taxing authority shall levy or assess against the above said .... and the ground thereunder or against the rent herein stipulated to be paid, any character of tax, fee or license not at the date of this lease levied or assessed against said premises or which shall be effective thereon during the term of this lease, then the LESSOR for the unexpired term of this lease shall have the right to make additional charges for such increased costs, taxes, assessments, fees or licenses as hereinafter provided, which additional charges shall be paid by the LESSEE in monthly installments at the same time and in the same manner as the rental hereinbefore provided. Such additional charges shall be in an amount or amounts calculated by the LESSOR to represent the fair proportion of such increased costs to be allocated to the premises occupied by the LESSEE, and such calculation shall be on the basis of the area of the demised premises and on the increase in such costs. If evidence of such increases either in the items of cost aforesaid or in taxes, assessments, fees or

licenses shall be demanded by the LESSEE, then a statement of such increases by a certified Public Accountant shall be deemed sufficient evidence to support such additional charges. Should there be a decrease in the aforesaid items of cost or in taxes, assessments, fees or licenses, the LESSOR shall make a corresponding proportionate reduction in the amount of charges thereafter to be paid by the LESSEE, it being expressly agreed, however, that no such reduction shall reduce the amount of rent stipulated in paragraph two, section (1), hereof.

3. The LESSOR shall supply said premises with water, heat, elevator and janitor service during ordinary business hours, and during the time and in the manner customary in said building. The LESSEE hereby agrees to light said premises with electricity only, and to buy the electric current for lighting said premises of the LESSOR at the usual rate charged tenants of the LESSOR'S building generally therefor and to pay for such electric current immediately upon the presentation of bills therefor by the LESSOR. It is hereby agreed by the LESSEE that the LESSOR is to have the right, without notice to the LESSEE, to cut off and discontinue said electric current, heat, water, elevator, janitor or any other service whenever and during any period for which said bills for rent or electric current or other service are not pomptly paid by the LESSEE. The LESSOR shall not be liable for damages nor shall the rental hereinbefore stipulated be abated for failure to furnish water, heat, elevator, electric, gas, janitor or other service when such failure to furnish or delay in furnishing is occasioned by needful repairs, renewals or improvements or in whole or in part by any strike, lockout or other labor controversy or by inability to secure coal after reasonable effort to do so, or by any accident or casualty whatsoever or by the act or default of the LESSEE or other parties or by any cause or causes beyond the reasonable control of the LESSOR, nor shall the LESSOR be liable for any act or default of the janitors or other employes not authorized by the LESSOR, and such failure, delay or default in furnishing water, heat, elevator, electric, gas, janitor or other service or unauthorized act or default of the janitors or employes shall not be considered or construed as an actual or constructive eviction of the LESSEE by the LESSOR, nor shall it in any way operate to release the LESSEE from the prompt and punctual performance of each and all of the covenants and agreements of this lease.

4. The LESSEE agrees that said premises shall be used............... .... and for no other purpose, and shall be used and occupied in a careful, safe and proper manner; that no nuisance, trade or occupation which is known in insurance as extra or especially hazardous shall be permitted therein, that no waste shall be committed or permitted upon or any damage be done to said premises and that the LESSEE shall pay on demand for any unusual use of heat or of water because of any special needs of the said LESSEE or by reason of the business conducted in said premises by the LESSEE; and the LESSEE will pay on demand for any damage to the premises suffered or caused by the LESSEE or the LESSEE'S agents.

5. The LESSEE shall not conduct or permit to be conducted on said premises any business or permit any act which is contrary to or in violation of the laws of the United States of America, or of the State of Ohio or of the ordinances of the City of Cleveland, nor will the LESSEE store or sell or permit to be sold or stored therein any malt, spirituous or vinous liquors or any narcotic drugs, and the LESSEE agrees that nothing shall be done or permitted therein which is in any way contrary to or in violation of any act or acts of Congress or act or acts of the State Legislature designed to put into effect the intent or to enforce the provisions of the Eighteenth Amendment to the Constitution of the United States of America; that in the use and (or) occupancy of the premises the LESSEE will comply with all the provisions of the Building Code and (or) the ordinances of the City of Cleveland and (or) of the laws of the State of Ohio pertaining to such use and (or) occupancy.

6. The LESSEE will make no alterations in or additions or improvements to said premises without first obtaining the written consent of the LESSOR and all additions and improvements made by the LESSEE (except only movable office furniture and fixtures) shall become the property of the LESSOR on the termination of the lease or the occupancy of the premises.

7. The LESSEE agrees that neither said premises nor any part thereof shall be underlet nor shall this lease be assigned without the consent in writing of the LESSOR first having been obtained. No assignment for the benefit of creditors or by operation of law shall be effective to transfer any rights to the said assignee without the written consent of the LESSOR first having been obtained. It is further agreed between the parties hereto that if the LESSEE shall be declared insolvent or bankrupt, or if any assignment of the LESSEE'S property shall be made for the benefit of creditors or otherwise, or if the LESSEE'S leasehold interest herein shall be levied upon under execution, or seized by virtue of any writ of any court of law, or if a petition be filed to declare the LESSEE bankrupt or a Trustee in bankruptcy or a Receiver be appointed for the LESSEE, whether under the operation of the State or of the Federal statutes, then and in any of said cases the LESSOR may at its option immediately and without notice to the LESSEE or any assignee, transferee, receiver, trustee or any other person or persons, terminate this lease and immediately retake possession of said premises, using such force as may be necessary without being deemed guilty of any manner of trespass or forcible entry or detainer. The LESSEE expressly waives the service of any notice of intention to terminate this lease or to retake said premises, and waives service of any demand for payment of rent or for possession, or of any and every other notice or demand prescribed by any law of the State of Ohio and agrees that the simple breach of any of the covenants herein shall of itself constitute a wrongful detainer of said premises by the LESSEE within the meaning of the statutes of the State of Ohio governing forcible entry and detainer.

It is agreed between the parties hereto that if the rent stipulated herein at any time shall not be paid when due, or within thirty (30) days thereafter, then the next subsequent twelve (12) installments or such number of installments of rent up to twelve (12), remaining unpaid, shall forthwith become due and payable at the option of the LESSOR without notice to the LESSEE, and in case the said LESSEE is declared bankrupt or voluntarily offers to creditors terms of composition or in case a receiver is appointed to take charge of and conduct the affairs of the LESSEE, such claim for further unpaid installments of rent due under this lease shall be considered liquidated damages and shall constitute a debt provable in bankruptcy or receivership.

8. If the said LESSEE shall abandon or vacate said premises before the end of the term of this lease or shall suffer the rent to be in arrears, the LESSOR may at its option and without notice enter said premises, remove any signs of said LESSEE therefrom and relet same as it may see fit without such retaking, avoiding or terminating this lease, and that for the purpose of such reletting, the said LESSOR is authorized to make any repairs, changes, alterations or additions in or to said demised premises as may be necessary, in the opinion of the LESSOR, for the purpose of such reletting and if a sufficient sum shall not be realized from such reletting after paying all the costs and expenses of such repairs, changes, alterations or additions and the expense of such reletting and the collection of the rent accruing therefrom each month to equal the monthly rental above stipulated to be paid by the said LESSEE, then the LESSEE will pay such deficiency each month upon demand therefor.

9. All personal property of any kind or description whatsoever in the demised premises shall be at the LESSEE'S sole risk, and the LESSOR shall not be liable for any damage done to or loss of such personal property or damage or loss suffered by the business or occupation of the LESSEE arising from any acts or neglect of co-tenants or other occupants of the building, or of other employes or the employes of the LESSOR or of other persons or from bursting, overbowing or leaking of water, sewer or steam pipes or from the

heating or plumbing fixtures or from electric wires, or from gas, or odors, or caused in any other manner whatsoever except in the case of willful neglect on the part of the LESSOR.

10. No payment of money by the LESSEE to the LESSOR after the termination of this lease, in any manner, or after the giving of any notice by the LESSOR to the LESSEE, shall reinstate, continue or extend the terms of this lease or affect any notice given to the LESSEE prior to the payment of such money, it being agreed that after the service of notice or the commencement of a suit or after final judgment granting the LESSOR possession of said premises, the LESSOR may receive and collect any sums of rent due or any other sums of money due under the terms of this lease, and the payment of such sums of money, whether as rent or otherwise, shall not waive said notice or in any manner affect any pending suit or any judgment theretofore obtained. If the LESSEE shall fail to remove all effects from said premises upon termination of this lease for any cause whatsoever, the LESSOR may, at its option, remove the same in any manner that the LESSOR shall choose, and store said effects without liability to the LESSEE for loss thereof, and the LESSEE agrees to pay the LESSOR on demand any and all expenses incurred in such removal, including court costs and attorney's fees and storage charges on such effects for any length of time the same shall be in the LESSOR'S possession, or the LESSOR may, at its option, without notice, sell said effects, or any of the same, at private sale and without legal process, for such price as the LESSOR may obtain and apply the proceeds of such sale upon any amounts due under this lease from the LESSEE to the LESSOR and upon the expense incident to the removal and sale of said effects.

11. The LESSEE agrees to deliver up and surrender to the LESSOR possession of said premises at the expiration or termination of this lease by lapse of time or otherwise in as good repair as the LESSEE obtained same at the commencement of said term, excepting only natural wear, decay or damage by the elements or electricity (occuring without the fault of the LESSEE or other persons permitted by the LESSEE to occupy or enter the demised premises or any part thereof) or by act of God or by insurrection, riot, invasion or commotion or of military or usurped power.

12. In case such premises shall be so damaged by fire as to be rendered untenantable, and shall not be repaired by the LESSOR and put in tenantable condition within sixty (60) days from the time the LESSEE gives the LESSOR full and complete possession of the premises so damaged for the purpose of making such repairs, it shall be optional with the LESSEE to terminate this lease by a written notice at the end of such time, in which case such rent as shall be due from the LESSEE to the LESSOR up to the date of the fire, if the LESSEE wholly vacates the premises at the time or up to such date thereafter that the LESSEE wholly vacates and ceases to use said premises, shall be paid by the LESSEE to the LESSOR at the rate herein provided. In case such damage is repaired and the premises made tenantable within the sixty-day time provided herein, no right to terminate this lease for such cause shall exist, but the rent shall abate for the period during which the premises were untenantable and unused in any way by the LESSEE.

13. The LESSEE agrees that if the LESSOR during the term hereby demised shall be required by the City of Cleveland, or by any order or decree of any court or of any other governmental authority to repair, alter, remove, reconstruct or improve any part of the demised premises or of the said building, then such repair, alterating, removal, reconstruction or improvement may be made by and at the expense of the LESSOR and shall not in any way affect the obligations or covenants of the LESSEE herein contained, and the LESSEE hereby waives all claims for damages or abatement of rent because of such work.

14. Should the LESSEE withhold from the LESSOR possession of the premises after the termination of this lease, whether by expiration of the term of the demise or by election or act of either party, the damages for which the

LESSEE shall be liable to the LESSOR for such detention, shall be and hereby are liquidated at a sum equal to double the rental stipulated herein for a period equal to the period of such detention. Should the LESSEE remain in the occupation of the demised premises after the expiration or termination of this lease for any cause whatsoever, the LESSEE shall then be considered a tenant at will and by sufferance of the LESSOR and no such occupancy shall operate as a renewal of this lease or of any part thereof.

15. The LESSEE has examined the premises herein demised and said premises are known to the LESSEE to be in good condition and repair.

16. No waiver of any condition or covenant of this lease by the LESSOR shall be deemed to imply or constitute a further waiver of any other like condition or covenant of said lease.

17. It is further agreed that all the following rules and regulations shall be and are hereby made a part of this lease and the LESSEE agrees that the LESSEE'S employes and agents and any others permitted by the LESSEE to occupy or enter said premises, will at all times abide by said rules and regulations:

RULES AND REGULATIONS.

Rule 1. No sign, picture, advertisement, or notice may be displayed, inscribed, painted, or affixed on any part of the outside or inside of said building, or on or about the premises hereby demised, except on the glass of the doors of said premises, and then only of such color, size, style and material as shall be first specified by the LESSOR in writing. No "For Rent" signs shall be displayed by LESSEE, and no showcases, boxes, containers, merchandise, packages, obstructions, signs, flags, barber poles, statuary or any advertising device of any kind whatever shall be placed in or on said building or in the passageways, halls, lobbies or corridors thereof or on the sidewalks, area ways, etc., on which it abuts, by the LESSEE, and the LESSOR may remove any and all such showcases, boxes, containers, merchandise, packages, obstructions, signs, flags, barber poles statuary or advertising devices and all signs other than those herein expressly excepted, placed in violation hereof, without notice to the LESSEE and at the LESSEE'S expense. Any newspaper, magazine or other advertising done from the said premises, or referring to the said premises, which in the opinion of the LESSOR is objectionable, shall be immediately discontinued upon notice from the LESSOR.

Rule 2. Safes, furniture, or other bulky articles shall be moved into or out of the premises only with written consent of the LESSOR first obtained, and then only in the manner and at such time as the LESSOR may in writing direct. Safes and other heavy articles shall be placed by the LESSEE in such places only as may be first specified in writing by the LESSOR, and the LESSEE shall be liable for and save the LESSOR harmless from any damage to the building or property of its tenants or others or injuries sustained by any person whatsoever caused by or resulting from the moving of such articles in or out of the demised premises, or from overloading a floor, or in any other manner.

Rule 3. Heat will be furnished by the LESSOR daily from 7:00 A. M. to 6:00 P. M. (Sundays and holidays excepted) whenever between October 1st and May 1st, such heat shall, in the LESSOR'S judgment, be required for the comfortable occupation and use of said premises.

Rule 4. The LESSOR shall furnish janitor service for said demised premises, but any and all electric current used in the performance of janitor service, and also in making repairs and alterations in said premises during the term of this lease shall be at the expense of the LESSEE.

No person shall be employed by the LESSEE to do janitor work in said demised premises, and no persons, other than the janitors of said building, shall clean said premises, unless the LESSOR shall give its written censent thereto.

Any person employed by the LESSEE, with the LESSOR'S consent as aforesaid, to do janitor work, shall, while in said building and outside of said demised premises, be subject to, and under the control and direction of the superintendent of said building (but not as agent or servant of said superintendent or of the LESSOR).

The LESSOR may retain a pass key to the premises and be allowed admittance thereto at all times to examine said premises or to furnish such janitor service.

Rule 5. The LESSOR shall have the right to enter the demised premises at all reasonable hours for the purpose of exhibiting the same, and may place and keep on the windows and doors of said premises at any time within sixty days before the expiration of this lease, signs advertising the premises for rent.

Rule 6. The LESSOR shall have the right to enter the demised premises at all reasonable hours for the purpoes of making any repairs, alterations, or additions which the LESSOR shall deem necessary for the safety, preservation, or improvement of said premises or of said building, and the LESSOR shall be allowed to take all material into and upon said premises that may be required to make such repairs, improvements, and additions or any alterations for the benefit of the LESSEE without in any way being deemed or held guilty of an eviction of the LESSEE; and the rent stipulated to be paid shall in no wise abate while said repairs, alterations or additions are being made; nor shall be entitled to maintain a set-off or counter-claim for damages against the LESSOR by reason of loss or interruption to the business of the LESSEE because of the prosecution of any such work. All such repairs, decorations, alterations, additions and improvements shall be made during ordinary working hours, or if any such work is, at the request of the LESSEE, to be done during any other hours, the LESSEE shall pay for any extra cost occurring because of such request.

Rule 7. No electric wires, telephones, telegraphs, telegraph call boxes or other electric apparatus shall be installed in said premises except on the approval and under the direction of the LESSOR and no such installation is to be made without first obtaining written permission from the LESSOR to do such work. Any installation of telephones, telegraphs, telegraph call boxes, electric wires, or other electric apparatus made without such written permission may be removed at the expense of the LESSEE.

Rule 8. The first installation of electric light lamps in the premises will be made by the LESSOR in the manner and of the style and voltage customary in said building. Thereafter the LESSEE shall replace and maintain such installation of electric light lamps.

Rule 9. The LESSEE shall not allow anything to be placed against or near the glass in the partitions, between the premises leased and the halls or corridors of the building, which shall diminish the light in, or prove unsightly from, the halls or corridors.

Rule 10. The LESSEE shall see that all awnings are pulled up and windows closed to avoid possible damage from fire, storms, rain or freezing when leaving premises at the close of business prior to any time when premises shall be unoccupied.

Rule 11. The LESSEE shall not allow anything to be placed on the outside window ledges of the premises, nor shall anything be thrown by the LESSEE or others out of the windows of the building.

Rule 12. No bicycle or other vehicle, and no animal shall be brought into the offices, halls, corridors, elevators or any other parts of said building, by the LESSEE, or the LESSEE'S agents or employes.

Rule 13. Ice, drinking water, towels and toilet supplies shall be obtained by said LESSEE only from such persons, firms or corporations, as may be satisfactory to the LESSOR.

Rule 14. No music shall be played or any other noise permitted in said premises which shall be objectionable to said LESSOR or to other occupants of the said building.

Rule 15. It is agreed that the said building is to be open for occupancy between the hours of 7:00 A. M. and 10:00 P. M., excepting Sundays and holidays; and between the hours of 8:00 A. M. and 6:00 P. M. on Sundays and holidays, or such other hours as the LESSOR may from time to time determine. Further, that freight elevator, if any, shall be operated between the hours of 7:30 A. M. and 5:00 P. M. every day, except Sundays and holidays, when no freight elevator service will be given except by special arrangement made with the LESSOR.

Rule 16. No additional locks shall be placed upon the doors of the premises and the LESSEE shall not permit any duplicate keys to be made. All necessary keys will be furnished by the LESSOR, it being further understood that a deposit of 25c is to be made to the LESSOR by the LESSEE for all keys furnished under this lease and that said amount shall be returned by said LESSOR when said keys are returned to the LESSOR, together with receipts for said deposit. The LESSEE upon termination of this lease shall surrender and deliver to the LESSOR all keys of said premises which are in the LESSEE'S possession or the possession of the LESSEE'S agents, employes or others permitted to occupy said premises by said LESSEE.

18. The LESSOR shall warrant and defend the LESSEE in the enjoyment and peaceful possession of the premises during the term aforesaid and all terms, conditions and covenants to be observed and performed by the parties hereto shall be applicable to and binding upon their heirs, administrators, successors, executors or assigns.

....

....

....

....

....

IN WITNESS WHEREOF the parties of this lease have set their hands to duplicates hereof this .... day of ...., A. D. 19.....

Signed and acknowledged in
the presence of:

....
....

....
By................................
....
....

(Acknowledgement, Assignment and Acceptance Forms, Etc)

LEASE FOR DRILLING FOR GAS

(The following will be found to be a complete form of lease to be used by a gas company, or other operator, in making contracts with property owners for drilling gas.)

AGREMENT, Made this .... day of....................., A. D., 19...., by and between ....
....
of ...., R. D. No. ....
County of .... and State of ....,
hereinafter called the LESSOR, and ....,
hereinafter called the LESSEE.

WITNESSETH, That the said LESSOR, for and in consideration of the sum of .... Dollars $........... in hand paid by the LESSEE, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, do hereby lease and let unto the said LESSEE for the sole and only purpose of drilling and operating for oil and gas, and of laying pipe lines, and of building tanks, stations and structures therein and thereon, to procure, take care of and transport the said products, and the right to remove, at any time, all appliances, fixtures and machinery placed thereon.

All that certain tract of land situated in ....
Township No. ...., in Range No. ...., in Section No. ...., in .... County and State of ....,
bounded substantially as follows:
North by lands of ....
East by lands of ....
South by lands of ....
West by lands of ....
containing .... acres, more or less.

No well shall be drilled within .... feet of the present buildings, unless both parties consent thereto.

To have and to hold the same unto and for the use of the LESSEE upon the following terms and conditions:

IN CONSIDERATION OF THE PREMISES, the said LESSEE covenants and agrees to deliver to the credit of the LESSOR, free of cost, in the pipe line to which the wells drilled by the LESSEE may be connected the equal one-eighth part of all oil produced and saved from said leased premises.

If gas is produced, the LESSEE agrees to pay two hundred dollars ($200.00) each year, payments to be made quarterly, for the gas from each and every gas well drilled on said premises the product from which is marketed and used off the premises.

LESSOR may lay a line to any one gas well on said lands and take gas produced from said well for use for light and heat in one dwelling house on said land, at LESSOR'S own risk, subject to the use and the right of abandonment of the well by LESSEE. The first one hundred thousand cubic feet of gas taken each year shall be free of cost, but all gas in excess of one hundred thousand cubic feet taken in each year shall be paid for at the current published rates of the LESSEE in the town nearest the premises above described. LESSOR to lay and maintain the service line and furnish regulators and other necessary equipment at his own expense. This privilege is upon the condition precedent that LESSOR shall subscribe to and be bound by the reasonable rules and regulations of the LESSEE relating to the use of free gas, and shall maintain said service line, regulators and equipment in good repair and free of all gas leaks and operate the same so as not to cause unecessary leaks or waste of gas.

This lease shall continue in force and the rights granted hereunder be quietly enjoyed by the said LESSEE for a term of twenty (20) years and so much longer as oil or gas is found in paying quantities on said premises.

Provided, however, that this lease shall become null and void and all rights of either party hereunder shall cease and determine unless a well shall be commenced on the premises within .... years from the date hereof, or unless the LESSEE shall thereafter pay at the rate of........ .... Dollars for each year, payments to be made quarterly, until the commencement of said well. It is further agreed that if the said well is drilled and proves to be a dry hole, a second well shall be commenced within one year from the completion of said dry well unless the LESSEE, beginning with the expiration of such year, shall pay at the rate of .... Dollars for each year thereafter, payments to be made quarterly, until the commencement of a second well. Likewise, until a producing well be drilled, if said second or any subsequently drilled well should prove to be a dry hole, another well shall be commenced within one year after the completion thereof, unless beginning with the expiration of said year, the said delay rental be paid until another well be commenced. A dry hole or well shall be deemed to be a completed well which does not produce oil or gas in commercial quantities in the judgment of the LESSEE.

Payment of all money due under this lease shall be deposited to the credit of .... in the .... Bank of .... or by check made payable to .... order and mailed to .... at ...., P. O. ....

It is agreed that said LESSEE, throughout the duration of this lease, may drill or not drill on said land, as LESSEE may elect, and that the consideration and rentals paid, and the land rentals, well rentals or royalties which may hereafter be paid, constitute adequate compensation for such privilege.

LESSEE shall bury, when so requested by LESSOR, all pipe lines used to conduct gas or oil off the premises and pay all damage to growing crops caused by operations under this lease; said damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one thereof to be appointed by the LESSOR, one by the LESSEE and the third by the two so appointed as aforesaid, and the award of such three persons shall be final and conclusive.

LESSOR agrees that LESSEE is to have the privilege of using sufficient oil, gas or water for operating on said premises and the right at any time to remove any machinery or fixtures, including pipe and well casing, placed on said premises, and further, upon payment to the LESSOR of one dollar and all rentals and royalties due hereunder to date of surrender, said LESSEE shall have the right to surrender this lease or any portion thereof by written notice to LESSOR describing the portion of the above tract that it elects to surrender, or by returning to LESSOR the lease with the endorsement of surrender thereon, on recording the surrender or partial surrender of this lease on the margin of the record hereof, any of which shall be a full and legal surrender of this lease as to all of said tract or such portion thereof as said surrender shall indicate and a cancellation of all liabilities under same of each and all parties hereto relating in any way to the portion or all of the above tract indicated on said surrender, and the acreage rental hereinbefore set forth shall be reduced in proportion to the acreage surrendered.

It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter of the agreement, and no implied covenant, agreement, or obligation shall be read into this agreement or imposed upon the parties or either of them.

All covenants and conditions between the parties hereto shall extend to their heirs, executors, successors and assigns and the title to the lands above described is hereby generally warranted.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals.

Signed and Acknowledged
in the presence of:

....(SEAL)
....(SEAL)
....(SEAL)
....(SEAL)

(Acknowledgement)

GAS STATION LEASE

(Gas station leases may be either on a month to month basis or of a permanent character. The following form is one used by one of the largest eastern oil companies for establishing gasoline stations.)

THIS LEASE, dated this .... day of ...., 192.....

WITNESSETH:

That ...., of ...., State of ...., the LESSOR, does hereby let and lease unto THE BLANK OIL COMPANY, a corporation organized and existing under the laws of the State of Ohio, LESSEE, all that real property situated in ...., County of .... and State of Ohio, described as follows, to-wit:

....

....

TO HAVE AND TO HOLD for the term of .... years, commencing on the .... day of .... and ending on the .... day of ....

The LESSEE, as part of the consideration hereof, is hereby granted the privilege and option of renewing this lease for an additional term of .... years at a rental of .... Dollars ($............) .... per month, at the expiration of the term herein provided.

The LESSEE agrees to pay as rent for said premises the sum of......... .... Dollars ($...........) per month, ...
commencing on the .... day of ...., 192...., and on the .... day of each and every month thereafter during said term, subject to terms and conditions as hereinafter provided, and to quit and deliver up the premises to the LESSOR peaceably and quietly at the end of said term.

The LESSEE as part of the consideration hereof is hereby given the exclusive privilege and option at any time during........................... the term of this lease, or any renewal thereof, to purchase the demised premises, for the sum of .... Dollars, ($............). This option shall be exercised by delivering, or mailing by registered mail, to the LESSOR, addressed to his last known address, at any time within said option period, a written notice of LESSEE'S election to exercise this option, which exercise shall take effect from the date of delivery or of mailing, as the case may be. Thereupon the LESSOR promptly shall cause to be prepared a survey showing boundaries and dimensions of said premises and an abstract showing good title in fee simple in the LESSOR, free of liens and incumbrances, which shall be delivered to the LESSEE, who shall have a reasonable time for examination and approval thereof and for the correction of any defects shown therein. Promptly upon such examination and approval of such abstract by the LESSEE, the LESSOR shall deliver to the LESSEE a good and valid warranty deed conveying said premises free from all liens, incumbrances and dower interests in exchange for the payment of the purchase price.

The said LESSEE shall have the right to cut curbs, use sidewalks, and to construct, maintain and use a driveway over, across and upon said premises for the ingress and egress of vehicles and persons.

The LESSEE shall have the right to construct and maintain its standardized metal type of building upon said premises for the purpose of carrying on its business of selling gasoline and other petroleum products, and appliances and containers for same, as well as to install such underground tanks, pipe lines and other equipment as may be desirable in connection therewith and conform with the requirements of the legal authorities having jurisdiction over the same. Said buildings, tanks and other equipment are to be deemed no part of the real estate, and shall be the property of the LESSEE; and the said LESSEE shall have the right within a reasonable time after the termination of this lease, or any renewal thereof, to remove all of said buildings, tanks and other equipment from said premises.

It is agreed that the permanent improvements to be made by the LESSEE on said premises, such as grading, filling in, construction of driveways, and cutting of curbs, will make said premises more valuable in the future for service station site purposes, to the extent of the cost of such improvements not removed or restored by the LESSEE at the termination of the lease; and in consideration of said increase in value for said purposes, said LESSOR agrees that in case said premises shall be leased or used by any other person, firm or corporation for Gasoline Service Station purposes, within one year after the vacation of said premises by the LESSEE, said LESSOR, or his assigns, shall pay to the LESSEE the actual cost of such improvements, not removed or restored.

The LESSOR agrees not to erect or permit to be erected upon any property belonging to the LESSOR adjoining said premises, any sign board or advertising device, nor to use or permit to be used any such adjoining premises for purposes similar to those herein contemplated.

It is further agreed that the LESSEE, its successors or assigns, may cancel this lease upon giving sixty days' written notice of such cancellation, and thereafter be released from any further obligation hereunder.

The LESSEE may cancel this lease on thirty days' notice in the event that it is unable, by reason of injunction or other interference, to use said premises for the purposes above specified.

The said LESSOR shall pay all taxes levied upon the above land, but if any taxes are levied upon any improvements placed thereon by said LESSEE, then said LESSEE shall pay the same.

The LESSOR shall warrant and defend the LESSEE in the enjoyment and peaceable possession of the above demised premises, during the term aforesaid if the LESSEE shall perform all and singular the covenants agreed to be performed on the part of said LESSEE.

This lease, subject to the terms hereof, shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, these presents are hereby signed in duplicate, the day and year first above written.

....

In the presence of

.... Lessor.

THE BLANK COMPANY,
LESSEE,

.... By..............................

(Acknowledgement)

LEASE FOR DRILLING FOR OIL AND GAS

(The following standard lease for the drilling of oil and gas has been prepared by a large southern oil and gas association, and seems to fully meet the requirements of such a situation.)

THIS AGREEMENT, entered into this the .... day of ...., 192...., between ...., hereinafter called the LESSOR, and ...., hereinafter called LESSEE, does witness:

1. That LESSOR, for and in consideration of the sum of .... Dollars ($............), in hand paid and of the covenants and agreements hereinafter contained to be performed by the LESSEE, has this day granted and leased and hereby grants, leases and lets unto the LESSEE for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building powers, stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employes, the following described tract of land in .... County, Oklahoma, to-wit: In Section ...., Township ...., Range .... and containing .... acres more or less.

2. This lease shall remain in force for a term of ten (10) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or either of them is produced.

3. The LESSEE shall deliver to the credit of the LESSOR, free of cost, in the pipe line to which LESSEE may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises as royalty, or at the LESSEE'S option, to pay to the LESSOR for such one-eighth royalty the market price prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. To pay LESSOR .... Dollars ($............) each year for gas from each well where gas only is found while the same is being sold or used off the premises, and to pay to the LESSOR the sum of Fifty Dollars ($50.00) each year as royalty on each gas well where gas only is found and same is not used or sold, the LESSOR to have gas free of rent from any gas well on the leased premises for all stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the LESSOR'S sole risk and expense at all times.

5. To pay to LESSOR for gas produced from any oil well and used by the LESSEE for the manufacture of gasoline one-eighth of the market value of such gas. If said gas is sold by the LESSEE, then one-eighth of the proceeds of the sale thereof.

6. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties unless the LESSEE shall, on or before one year from this date, pay or tender to the LESSOR, or for the LESSOR'S credit in the ....Bank at ...., or its successors, which bank and its successors are the LESSOR'S agent and shall continue as the depository regardless of changes in ownership of said land, or the oil and gas, or assignments of rental hereunder, the sum of .... Dollars ($............) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All such payments or tenders may be made by check or draft of the LESSEE mailed or delivered on or before the rental paying date.

7. Notwithstanding the death of the LESSOR, or his successor in interest, until written notice to the LESSEE or its successor in interest of the death of any person to whom such rental should be paid, the payment or tender thereof to his credit to the depository and in the manner provided above, shall be binding on the heirs, devisees, executors, administrators of such person, and after such notice, the rentals which may become due hereunder may be paid or tendered to or deposited to the credit of the executor or administrator of the estate of such person, or at the option of the LESSEE, or its successor in interest, tendered to above depository in the manner above provided.

8. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the LESSEE shall drill a dry hole, or holes, on this land, this lease shall not terminate if operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or if the LESSEE begins or resumes the payment of rentals in the manner and amount hereinabove provided; in which event preceding paragraph hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

9. If said LESSOR owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said LESSOR only in the proportion which his interest bears to the whole and undivided fee.

10. The LESSEE shall have the right to use free of cost gas, oil and water produced on said land for its operations thereon, except water from the wells of the LESSOR. When required by LESSOR, the LESSEE shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the LESSOR. LESSEE shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

11. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to their heirs, executors, administrators, successor or assigns; but no change in the ownership of the land or assignment of rentals or royalties or notice thereof shall be binding on the LESSEE until after the LESSEE has been furnished with the written transfer or assignment or a certified copy thereof; but notwithstanding such changes in ownership, in whole or in part, the LESSEE may develop and operate the land covered by this lease as an entirety and there shall be no obligation on his part to offset wells on separate tracts into which the land covered by his lease may be hereafter divided by either sale, devise or inheritance. And it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the other holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rents due from his or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said land upon which the said LESSEE or any assignee thereof shall make due payment of said rental.

12. LESSOR hereby warrants and agrees to defend the title to the lands herein described, and agrees that the LESSEE shall have the right at any time to redeem for LESSOR, by payment any mortgages, taxes or other liens on the above described lands, in the event of the default of payment by LESSOR, and be subrogated to the rights of the holder thereof.

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if LESSEE shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations continue, and if production should result therefrom, then as long as production continues.

14. If production on the land shall cease from any cause, then LESSEE may resume drilling operations within sixty days from such cessation, and this lease shall remain in force while such operation continues, and if production results therefrom, then as long as production continues.

15. LESSEE may, at any time, surrender this lease by placing a release thereof of record in the proper county.

16. It is agreed that this lease shall never be forfeited or cancelled for failure to perform, in whole or in part, any of its implied covenants, conditions or stipulations until it shall have been finally judicially determined that such failure exists, and after such final determination, LESSEE is given a reasonable time therefrom to comply with such covenant, condition or stipulation.

17. This lease and all its terms, conditions and stipulations shall extend to and be binding on all successors of said LESSOR or LESSEE.

Witnesses

....
....
(Lessor)
THE BLANK OIL CO.,
By......................President
(Lessee)

(Acknowledgement)

LEASE FOR FURNISHED HOUSE OR APARTMENT

(This lease may be conveniently adapted to the leasing of either a furnished house or apartment.)

THIS LEASE executed at ...., Pennsylvania, this .... day of ...., 19...., by and between John Jones of......................., Pennsylvania, the LESSOR, and Wm. Smith of ...., Pennsylvania, the LESSEE, witnesseth: That said LESSOR, in consideration of the rents and covenants hereinafter stipulated to be paid and performed by said LESSEE, does hereby demise, let and lease unto said LESSEE, the following described premises, to-wit:

(Description of premises)

and the appurtenances thereunto belonging, and also all the furniture, carpets, dishes, crockery, glassware, kitchen utensils and other personal property specified in the schedule hereto annexed marked "Exhibit A" and made a part hereof:

To have and to hold the same, unto the said LESSEE, to be used by said LESSEE as a dwelling, and for no other purpose, for the term of .... years, beginning on ...., 19...., and ending on ...., 19...., for the yearly rent of .... dollars ($..........) payable in equal monthly installments of .... ($...........) each, in advance, on the first day of each and every month during said term at .... in the city of ...., Pennsylvania, or such other place in said city as the LESSOR may direct.

And said LESSEE does hereby covenant and agree with said LESSOR, his heirs and assigns, as follows: That he will pay said rent at the times and place in the manner aforesaid; that he will pay all bills and charges for water, gas and electric current which may be assessed or charged against the occupant of said premises during said term or any extension thereof; that he will use and occupy said premises, and said furniture, etc., in a careful, safe and proper manner, and will carefully conduct and guard all fires that may be conducted thereon; that he will not commit or suffer any waste therein; that he will not use or occupy said premises for any unlawful purpose; that he will not sell, or permit to be sold, on the said premises, during said term, spiritous, vinous, malt or any intoxicating liquor, without the written consent of said LESSOR; that he will not assign this lease nor underlet said premises, nor any part thereof, without the written consent of said LESSOR; that he will not use or occupy said premises, or permit the same to be used or occupied, for any purpose deemed extra-hazardous on account of fire or otherwise; that he will make no alterations or additions in or to said premises without the written consent of said LESSOR; that he will permit said LESSOR, or his agents, to enter upon said premises, at all reasonable times, to examine the condition thereof; that he will surrender and deliver up said premises, and all of said furniture, carpets, dishes, crockery, and glassware, kitchen utensils and other personal property, in as good order and condition as the same now are, reasonable use and ordinary wear and tear thereof, and damage by fire or other unavoidable casualty excepted; and that he will replace all such furniture or other articles of personal property, as shall be broken, damaged, or missing, with other articles of equal value, and of as near the same pattern as possible.

Provided, however, that if said rent, or any part thereof, shall at any time be in arrears and unpaid, and without any demand being made therefor, or if said LESSEE, or his assigns, shall fail to keep and perform any of the covenants, agreements or conditions of this lease, on his part to be kept and performed, or if said LESSEE shall be adjudged a bankrupt, or shall make an assignment for the benefit of creditors, or if the interest of said LESSEE therein shall be sold under execution or other legal process, it shall be lawful for said LESSOR, his heirs or assigns, to enter into said premises, and again have, repossess and enjoy the same as if this lease had not been made, and thereupon this lease and everything herein contained on the part of said LESSOR to be done and performed shall cease, determine and be utterly void; without prejudice, however, to the right of the LESSOR to recover from said LESSEE, or assigns, all rent due up to the time of such entry. In case of any such default and entry by said LESSOR, said LESSOR may relet said premises for the remainder of said term for the highest rent obtainable and may recover from said LESSEE any deficiency between the amount so obtained, and the rent hereinbefore reserved.

And provided further, that in case any buildings on said premises, or any part thereof, without any fault or neglect of said LESSEE, shall be destroyed or so injured by the elements, or other cause, as to be unfit for occupancy, said LESSEE may thereupon surrender possession of said premises to said LESSOR, and thereupon this lease shall cease, determine and be utterly void.

And said LESSOR, for himself, and for his heirs, executors, administrators and assigns, hereby covenants and agrees with said LESSEE, his executors and administrators, that, said LESSEE paying the rents, and keeping and performing the covenants of this lease on his part to be kept and performed, said LESSEE shall peaceably and quietly hold, occupy and enjoy said premises, during said term, without any let, hindrance or molestation by said LESSOR or his heirs or any person or persons lawfully claiming under him or them.

It is mutually covenanted and agreed by and between said LESSOR and said LESSEE that, as security for the said rents to be paid and the covenants to be performed by said LESSEE, or assigns, a lien is hereby reserved upon the premises hereby leased, and the interest of said LESSEE and assigns in and to the same, in favor of said LESSOR, his heirs and assigns, prior and superior to any and all other liens thereupon whatsoever.

It witness whereof, the said LESSOR and LESSEE have set their hands to duplicates hereof on the .... day of ...., 19....

Signed and Acknowledged
In Presence of

.... JOHN JONES.
.... WM. SMITH

(Acknowledgement Follows)

AGREEMENT TO SELL A LEASEHOLD INTEREST

(Leases are often sold for bonuses, a cash consideration being paid and the leasehold interests being assigned intact, with the consent of the lessor. This form may be used when necessary.)

This agreement made and concluded at ...., Ohio, this .... day of ...., 19...., by and between D. R. M. of ...., party of the first part, and L. R. S. of ...., party of the second part, witnesseth:

That whereas, one E. E. R., by a certain instrument of lease dated the .... day of ...., 19...., and recorded in the office of the recorder of .... County, Ohio, in Volume .... of leases, Page ...., did demise, let and lease unto said D. R. M. certain premises situated at No. .... Street in the .... of ...., Ohio, for a term of.........years ending on the...........day of........... 19...., for the yearly rent of .... dollars; for a more particular description of said premises, and of said term, and for all the covenants, provisions, terms and conditions of which said lease, reference is hereby made thereto;

Now, therefore said party of the first part in consideration of the sum of .... Dollars ($...........) in hand paid the receipt of which is hereby acknowledged and further in consideration of the promises and agreements of said party of the second part herein contained does hereby promise and agree to sell transfer and assign unto the said party of the second part all the estate and interest of said party of the first part in said premises and in said lease for the residue of the term of said lease subject to all the rents, covenants, conditions, provisions and stipulations in said lease contained on the part of the LESSEE to be paid, observed and performed.

Said party of the first part further agrees to execute and deliver to said party of the second part, a good and sufficient instrument of assignment and conveyance of said leasehold interest, with the consent of the said E. E. R. to such assignment endorsed thereon, on or before the .... day of ...., 19....; and to pay all rents, taxes, assessments and charges due and payable by the LESSEE under the provisions of said lease up to and including the .... day of ...., 19....; and that said leasehold interest so assigned and conveyed shall be free and clear from all liens or incumbrances, except such as may be created and provide for by said lease due after said...........day of............, 19.....

Said party of the first part further agrees to give possession of said premises to said party of the second part on or before ...., 19.....

In consideration whereof, said party of the second part hereby promises and agrees to purchase said leasehold interest and to pay therefor the sum of .... dollars ($..........), payable as follows: Said sum of .... dollars ($...........) this day paid to be applied on said purchase price and the balance of .... dollars ($...........) to be paid in cash on the execution and delivery of said instrument of assignment of said lease as hereinbefore provided.

Said party of the second part further promises and agrees to pay the rent, taxes, assessments and other charges, and to perform all the other covenants of said lease on the part of the LESSEE to be performed, and to indemnify and save harmless said party of the first part thereupon.

It is mutually agreed by and between the parties hereto that the receipt of the LESSOR for the last installment of rent due up to said .... day of ...., 19...., shall be deemed conclusive evidence that the covenants of said lease have been performed by said party of the first part.

In witness whereof the parties have hereunto set their hands to duplicates hereof the day and year first above written.

In Presence of

.... D. R. M.
.... L. R. S.

FARM LEASE

(This is a typical form used in leasing a farm. If the farm is leased on a so-called "cropping" basis, and stock is included, a different form should be used to cover those features.)

THIS LEASE, made this .... day of ...., 19...., by and between John Doe, of ...., LESSOR, and Richard Roe, of ...., LESSEE, witnesseth: That said LESSOR does hereby demise, let and lease unto said LESSEE, his executors, administrators, and assigns, the following described farm property, situated in the township of ...., county of ...., and state of Iowa, and known as:

(Description of premises)

To have and to hold the same, with the appurtenances thereunto belonging, unto said LESSEE, his executors, administrators and assigns, for and during the term of ....years, commencing on the .... day of ...., 19...., and ending on the .... day of ...., 19...., on the following terms and conditions, to-wit:

Said LESSEE, for himself, his executors, administrators and assigns, does hereby covenant and agree with said LESSOR, his heirs and assigns, as follows:

(a) That he will pay to said LESSOR, his heirs or assigns at .... in the .... of ...., Iowa, the yearly rent of .... dollars ($............) payable in equal semi-annual instalments of .... dollars ($............) each, on the first days of Janoary and Jnly of each year, beginning ...., 19....;

(b) That he will cultivate, manure and manage said farm and premises in a husbandlike manner according to the most approved course of husbandry; and that he will not plow up any land now in meadow or pasture without the written consent of the said LESSOR;

(c) That he will sow all clover and timothy seed that may be necessary and proper to keep said land from deteriorating and becoming less productive;

(d) That he will consume on said premises all the hay, straw and fodder produced thereon, and that he will properly distribute and spread on said premises all manure and compost produced thereon;

(e) That he will not cut any timber on said premises, except for use in repairing fences thereon;

(f) That he will not injure the roots of any trees growing in any fields, or near any fence, on said premises, but in plowing will lease a space around said trees sufficient for their protection;

(g) That he will use and occupy said premises in a careful, safe and proper manner, and will carefully conduct and guard all fires that may be conducted thereon;

(h) That he will not commit or suffer any waste thereon;

(i) That he will not use or occupy said premises for any unlawful purpose;

(j) That he will not sell, or permit to be sold, on said premises during said term, spiritous, vinous, malt or any intoxicating liquor, without the written consent of said LESSOR;

(k) That he will not assign this lease, nor underlet said premises nor any part thereof, without the written consent of said LESSOR;

(l) That he will make no alterations or additions in or to said premises without the written consent of said LESSOR;

(m) That he will permit said LESSOR, or his agents, to enter upon said premises at all reasonable times to examine the condition thereof;

(n) That he will surrender and deliver up said premises at the end of said term, in as good order and condition as the same now are, or may be put by said LESSOR, reasonable use and ordinary wear and tear thereof, and damage by fire, or other unavoidable casualty, only, excepted; and that he will leave on said premises all unspent hay, straw and fodder, and all manure and compost, produced thereon.

Provided, however, that if said rent, or any part thereof, shall at any time be in arrears and unpaid, and without any demand being made therefor, or if said LESSEE, or his assigns, shall fail to keep and perform any of the covenants, agreements or conditions of this lease on his part to be kept and performed, said LESSOR, his heirs or assigns, may enter into said premises and have, repossess and enjoy the same as if this lease had not been made, and thereupon this lease and everything herein contained on the part of said LESSOR to be done and performed shall cease, determine and be utterly void; without prejudice, however, to the right of the LESSOR to recover from said LESSEE, or assigns, all rent due up to the time of such entry. In case of any such default and entry by said LESSOR, said LESSOR may relet said premises for the remainder of said term for the highest rent obtainable, and may recover any deficiency from said LESSEE.

In case of such default and entry by the LESSOR, all improvements made and placed upon said premises shall be left upon said premises and become the property of said LESSOR.

And said LESSOR, for himself and his heirs and assigns, hereby covenants and agrees with said LESSEE, his executors and administrators, that, said LESSEE paying the rents, and keeping and performing the covenants of this lease on his part to be kept and performed, said LESSEE shall peaceably and quietly hold, occupy and enjoy said premises during said term.

It is mutually covenanted and agreed by and between said LESSOR and said LESSEE, that said LESSEE shall do all the work in making the ordinary repairs to the fences on said premises, and that said LESSOR shall furnish the nails and wire therefor; provided, however, all accommodation fences shall be constructed at the sole expense of said LESSEE, and that all other repairs shall be made by the said LESSEE.

It is further agreed that if said LESSEE shall pay the rent and perform all the covenants and agreements of this lease on his part to be performed, said LESSEE may, at the end of said term, remove the improvements which have been made and placed on said premises by said LESSEE.

In witness whereof, the said LESSOR and LESSEE have hereunto set their hands to duplicates hereof the day and year first above written.

Signed and Acknowledged
In Presence of

.... JOHN DOE.
.... RICHARD ROE.

(Acknowledgement Follows)

DEPARTMENT OR CONCESSION LEASE

(This form may be conveniently revised to permit the renting of space for a department in a large store or a concession of almost any kind, such as a news stand, etc.)

THIS LEASE made and concluded at Chicago, Ill., this.............day of ...., 192...., by and between The Blank Co., a corporation duly organized under the laws of Illinois, hereinafter called the LESSOR, and John Doe of Chicago, hereinafter called the LESSEE; witnesseth; That said LESSOR hereby sub-lets and leases unto said LESSEE space on the .... story of the building located at No. ...., ... Street in the City of Chicago, Illinois, occuped by said LESSOR as a department store, as follows:

(Detailed Description of Space Allotted for Department Use, Aisles, Windows, Etc.)

Also front show window display space as follows: ....

To have and to hold the above described space for a term of .... (.........) years, commencing on the .... day of ...., 19...., and ending on the .... day of ...., 19.....

Said LESSEE does hereby covenant and agree with said LESSOR, its successors and assigns, as follows:

(a) That he will use and occupy the space hereinbefore described as and for a retail (cloak and suit, etc.) department of said store, which shall include the vending and sale of (classes of articles to be sold); and that he will not use or occupy said space for any other purpose or business whatsoever;

(b) That he will furnish, at his own expense, all fixtures, counters, show cases, and shelving used or placed in said space, and that all of the same shall conform to the fixtures, counters, show cases and shelving now in use in the other departments on said .... story of said building;

(c) That he will conduct said department and make all sales and transact all business, except the purchase of goods, in the name of said LESSOR;

(d) That all employes of said LESSEE shall be subject to the rules and regulations heretofore or hereafter prescribed by said LESSOR for the government of its employes;

(e) That he will pay all taxes that may be assessed or levied by lawful authority on the personal property of said LESSEE in said building; and, if all of the personal property in said building be assessed for taxation by lawful authority as a whole as the property of said LESSOR, that said LESSEE shall pay such a proportion of the taxes assessed thereon, as the value of the personal property of said LESSEE in said building shall bear to the value of all the personal property in said building so assessed for taxation;

(f) That he will pay all insurance premiums and all expenses of conducting said department excepting steam heat, electric light, cashier, delivery, janitor and elevator service;

(g) That he will expend at least $........... in each year during said term in advertising said department in such newspapers of said city of ...., and in such other advertising mediums as may be designated by said LESSOR; said advertising to be wholly under the management and control, and in the name, of said LESSOR;

(h) That he will not assign this lease nor under-let said premises, nor any part thereof, without the written consent of said LESSOR;

(i) That he will pay to said LESSOR as rent a sum equal to ten per cent of all the gross sales made in said .... department during said term; and in case, in any one year during said term, said sum or percentage of gross sales shall be less than the sum of .... dollars ($........) said LESSEE hereby agrees to pay any deficiency thereof, it being the intent of this agreement that the minimum yearly rent to be paid by said LESSEE for said space shall be said sum of .... dollars ($..........);

(j) That he will not purchase any goods or property, or incur debts of any nature whatever, on the credit of said LESSOR.

Said LESSOR, for itself and its successors and assigns, hereby covenants and agrees to and with said LESSEE, as follows:

(a) That it will not vend or sell, or permit to be vended or sold, in any part of said building other than the space hereinbefore described, any goods, wares and merchandise of the kind and character to be vended and sold by said LESSEE in said space;

(b) That it will furnish said LESSEE with steam heat, electric light, janitor and elevator service; and that it will deliver within the City of .... through its regular delivery service and system and at its regular delivery hours, and not otherwise, the goods sold by said LESSEE in said department;

(c) That said LESSEE may remove the fixtures, counters, show cases and shelving placed in said space by said LESSEE, at the expiration of said term, provided the same can be removed without injury to said building and provided all the covenants and agreements contained in this lease, on the part of said LESSEE to be kept or performed, shall have been kept and performed by said LESSEE.

It is mutually covenanted and agreed by and between the said LESSOR and LESSEE as follows:

(a) That all moneys and proceeds of all sales made by said LESSEE in said department shall be immediately paid to the cashier of said LESSOR, through the cash carrier system of said LESSOR; that an accounting and settlement shall be made by and between said LESSOR and LESSEE at the end of each and every week during said term; that said LESSOR shall first deduct its said rent, to-wit: a sum equal to ten per cent of the gross receipts, and shall also pay all clerks and employes of said LESSEE, and all other incidental expenses of conducting said department, and pay the balance to said LESSEE. If, at any such weekly settlement, the amounts so to be deducted and paid by said LESSOR shall exceed the gross receipts of such week, the LESSEE hereby agrees to immediately pay the deficiency in cash. At the end of each and every year during said term an accounting shall be had by and between said LESSOR and said LESSEE, and if the rent of ten per cent of all gross sales during the year then ended shall amount to less than said minimum rent of .... dollars ($............), said LESSEE shall thereupon pay the deficiency in cash;

(b) That said LESSEE is not authorized to buy any goods in the name of said LESSOR, or to incur debts of any character on the credit of said LESSOR.

It is further mutually covenanted and agreed by and between said LESSOR and said LESSEE that in case either party hereto shall violate, or make default in the performance of, any covenant or agreement of this lease on its or his part to be kept and performed, and such violation or default shall continue for a period of ten days after due notice thereof given by the other party hereto, then such other party may, at its or his option, rescind, annul and avoid this lease, and thereupon the same shall, as to anything to be performed or done by such other party, cease, determine and be utterly void; and in case such violation, or default in the performance, of any of the covenants and agreements of this lease on the part of the LESSEE to be performed, be made by said LESSEE, said LESSOR may thereupon enter upon and repossess and enjoy said spaces the same as if this lease had not been made.

In witness whereof said LESSOR has caused its corporate seal to be affixed and its corporate name to be signed by its president and said LESSEE has hereunto set his hand to duplicates hereof the day and year first above written.

Signed and Acknowledged
In Presence of THE BLANK COMPANY,
.... By....................President
.... JOHN DOE.
(Corporate Seal)
(Acknowledgement Follows)

CHATTEL MORTGAGE CLAUSE

(Some states permit the inclusion in short term leases of a so-called chattel mortgage clause. Where such is permitted, the following form may prove useful.)

And said LESSEE does hereby bargain, sell, assign, transfer, convey, set over and deliver unto the said LESSOR, his heirs and assigns, all the goods, chattels and personal property of said LESSEE which are now, or may be hereafter placed, on said premises, including all

(Detailed Description of Goods Here)

Provided, however, if said LESSEE shall promptly pay all the rent as hereinbefore specified, and shall keep and perform all the covenants and agreements in this instrument contained, on the part of said LESSEE to be kept and performed, then this conveyance or mortgage shall be void, otherwise to remain in full force and effect.

And said LESSEE hereby covenants and agrees to and with said LESSOR, his executors, administrators and assigns, that if default be made in the payment of said rent or any installment thereof, or in the performance of any of the covenants herein contained on the part of said LESSEE to be performed, at the time limited therefor, or if said LESSOR, his heirs or assigns, at any time before said rent, or any installments thereof, become due, or before the time limited for the performance of the covenants herein contained on the part of said LESSEE to be performed, shall deem it necessary for his more perfect and complete security, said LESSOR is hereby authorized and empowered to enter said premises, or such other places as the said goods and chattels may be, and take possession of the same and immediately sell the same at public or private sale, without notice, hereby granting unto said LESSOR the right to himself become the purchaser thereof at public sale, and out of the proceeds thereof, to retain and pay said rents, with interest and other proper charges, and to pay the expenses of said sale, including expenses incurred in taking possession and keeping said property, with reasonable attorneys' fees, and to pay any and all liens that may be thereon having priority over this mortgage, rendering the overplus, if any, to the LESSEE, his executors, administrators or assigns. Except as hereinbefore provided, said LESSEE shall remain and continue in possession of said goods and chattels and in full enjoyment of the same.

In witness whereof, the said LESSOR and LESSEE have hereunto set their hands to duplicates hereof on the .... day of ...., 19....

Signed and Acknowledged
In Presence of

....
....

(Acknowledgement Follows)

LEASE BY A GUARDIAN ACTING FOR MINOR CHILDREN

(This form of lease may be used when a guardian finds it necessary to lease premises for minor children. It can be adapted to the needs of almost any case. Many states have prescribed forms which should be used where such are required.)

This lease, made this .... day of ...., 192..., witnesseth: That whereas, on the .... day of ...., 192.., D. M. was duly appointed and qualified as guardian of the persons and estate of A. B. and B. B., minor children of C. B., deceased, late of .... County, Ohio, by the probate court of said county; and afterwards, to-wit: On the .... day of ...., 192..., said D. M., as guardian, filed his certain petition and then and thereby commenced an action in the probate court of .... County, Ohio, against the said A. B. and B. B. and numbered on the docket of said court as case No. ...., praying among other things, for an order authorizing him to lease certain real estate therein mentioned and hereinafter described, on the terms and for the time hereinafter contained and set forth.

And whreas, such proceedings were had in said action, that on the ...... day of ...., 192..., said court appointed ...., ..., and ...., three disinterested freeholders of said .... County, the county in which said real estate is situate, none of whom are of kin to said D. M., to view the premises and report under oath their opinion of the probable cost of the improvements proposed, whether the same and the proposed lease would be for the best interest of said A. B. and B. B., and if so, upon what terms said lease should be made;

And whereas, such further proceedings were had in said action, that on the .... day of ...., 192..., on the final hearing, the report of said freeholders being in favor of the lease, and the court, being of the opinion that it will be to the advantage of said A. B. and B. B. to improve and lease said real estate, and that such lease is necessary to secure the improvements and increase the rents, and that such increase is needed for the support and education of said A. B. and B. B. (or, to pay the liabilities of said A. B. and B. B., or, to pay liens, or other claims against the estate of said A. B. and B. B.) and that by such lease a sale of real estate for said purposes may be prevented, thereupon authorized and ordered said guardian to make and execute a lease on the terms and manner herein contained, and being the terms recommended by said freeholders.

Now, therefore, the said D. M. guardian of said A. B. and B. B., in consideration of the premises and of such order of said court, and of the powers vested in him as such guardian by law, and in consideration of the rents and covenants hereinafter stipulated to be paid and performed by D. D., of ...., does hereby let and lease unto the said D. D., his executors, administrators and assigns, the following described premises, to-wit:

(Description of Premises)

To have and to hold the same, with the appurtenances, unto the said D. D., his executors, administrators and assigns, for and during the full term of .... years, beginning on the .... day of ...., 192..., and ending on the .... day of ...., 192..., as fully and completely as the said D. M., guardian as aforesaid, by virtue of said order, and of the statute made and provided for such cases, might or should execute this lease.

Said D. D. for himself and his executors, administrators and assigns, in consideration of the premises, does hereby covenant and agree with said D. M., as guardian, as follows:

(a) That he will pay for said premises the .... rent of .... dollars ($........), payable in .... installments of .... dollars ($............) each, on the ....day of .... All such rent being payable at ....

Provided, however, that when both said A. B. and B. B. shall arrive at full age, to-wit: On the .... day of ...., 192..., then this lease shall determine, unless the said A. B. and B. B. shall then confirm this lease. And provided further, that in case of the death of both said A. B. and B. B., this lease shall determine, unless their legal representatives shall then confirm the same.

And provided further, that if said rent, or any part thereof, shall at any time be in arrears and unpaid, and without any demand being made therefor, or if said D. D., or his assigns, shall fail to keep and perform any of the covenants, agreements and conditions of this lease, on his part to be kept and performed, or if said D. D. shall be adjudged a bankrupt, or shall make an assignment for the benefit of creditors, or if the interest of said LESSEE herein shall be sold under execution or other legal process, it shall be lawful for said guardian, his successors in trust or assigns, to enter into said premises and again have, repossess and enjoy the same as if this lease had not been made, and thereupon this lease and everything herein contained on the part of said guardian to be done and performed shall cease, determine, and be utterly void; without prejudice, however, to the right of said guardian to recover from said D. D., or assigns, all rent due up to the time of such entry.

In witness whereof, said D. M. as such guardian and said D. D. have set their hands to duplicates hereof the day and year first above written.

Signed and Acknowledged
In Presence of

....
....

(Acknowledgement Follows)

LEASE FOR A STORE ROOM

THIS INSTRUMENT OF LEASE, WITNESSETH: That The .... Co., of ...., Ind., hereinafter designated the LESSOR, has demised and leased, and does hereby demise and lease unto ...., hereinafter designated the LESSEE, the store room at No. .... Ave., ..., Ind., to be used and occupied by said LESSEE for the sale of (indicate here the exact character of the business) and for no other purpose, for the term of .... years, beginning ...., 192..., and ending ...., 192..., at the following rentals:

(Carefully Indicate Terms of Rental)

That all rentals are to be paid in monthly installments in advance, and all deferred payments for rent are to bear interest at the rate of eight per cent per annum.

That said LESSEE covenants and agrees with said LESSOR that said premises shall be used and occupied in a careful, safe and proper manner; that no nuisance, trade, auction, pawnshop, occupation or custom which is unlawful or known in insurance as extra or specially hazardous shall be permitted therein; that the premises shall not be used for any purpose objectionable to the LESSOR; or for any other purpose than as above specified; that no waste shall be committed upon, nor any damage be done to said premises, and that the LESSEE shall pay on demand for any unnecessary waste of water or heat, and for any damage done to the building.

That said LESSEE shall not make any alterations in or additions to said premises without the written consent of the LESSOR first had and obtained, and all additions and improvements made by the LESSEE shall be and remain the property of the LESSOR.

That said LESSEE hereby covenants and agrees that neither said premises, nor any part thereof, shall be underlet without the consent in writing of the LESSOR, nor shall this lease be assigned (whether for the benefit of the creditors of said LESSEE or otherwise) without such written consent.

That said LESSEE shall place no signs or show cases on the outside of the glass or in front of said store; that the show windows of said store shall be used only for the display of goods offered for sale within said store, and that no display shall be permitted in said show windows which shall be a nuisance or objectionable to the LESSOR.

That said LESSEE shall not paint any signs on the building or windows, except in gold lettering, and that no paper, metal or wooden signs of any kind shall be attached to the exterior walls, or outside of the windows or doors.

That it is further covenanted by and between both parties hereto that awnings are to be placed on the front of said premises at the cost of the LESSEE and of the construction, material and style to be approved by said LESSOR, and that such awnings shall be renewed by said LESSEE at the expense of LESSEE as directed by said LESSOR, such renewal to be made not oftener than once each year.

That the LESSEE will abide by and faithfully observe all city ordinances relative to sidewalk occupancy and traffic rules now or later to be in effect, in the City of ...., and that said LESSEE will keep said sidewalk properly swept and the snow cleaned therefrom during the entire term of this lease.

That LESSOR shall be permitted to keep and exhibit inside the show window of said store a "To Let" notice for ninety days next prior to the expiration of the term of this lease.

That the LESSOR may enter said premises at proper times to view and inspect the same, or to make such repairs, additions and alterations, or to run such pipes or electric wires as said LESSOR may deem necessary for the safety, improvement or preservation of the rooms or of said building.

That if LESSEE shall abandon or vacate said premises before the end of their term, or shall suffer the rent to be in arrears, the LESSOR may at its option enter upon said premises and relet the same for such rent and upon such terms as it may see fit, and if the full rental herein provided shall not be realized by the LESSOR over and above the expense to LESSOR in such reletting, the said LESSEE will pay all deficiency.

That it is mutually covenanted and agreed between the parties hereto that if the rent at any time shall be in arrears and unpaid, or if any breach of any of the covenants and agreements on the partof the LESSEE herein contained shall occur, or if LESSEE be adjudicated bankrupt, without the written consent of the LESSOR or if said premises, or any part thereof, shall be underlet without such consent, the LESSOR may, without notice to the LESSEE or other occupant of the premises, and without demand for rent due, avoid this lease and enter into the possession of the premises and remove all persons and property therefrom and bring its action for the recovery of rent due at the rate aforesaid up to the time of such entry, and for any other sum which it may be entitled to recover from said LESSEE under the provisions hereof; or it may bring such action without avoiding this lease, at its election; and no waiver by the LESSOR of its right to avoid this lease by reason of any breach of any covenant or agreement on the part of said LESSEE shall constitute a waiver of its right to avoid the lease on account of any other or further breach of any such covenant or agreement; nor shall consent on the part of the LESSOR to any assignment or underletting disentitle said LESSOR to avoid this lease on account of any other assignment or underletting made without its consent; every demand for rent, made after it falls due, shall have the same effect in law as if made at the time it falls due, any law of the land or rule in equity to the contrary notwithstanding.

That it is hereby agreed that said premises are now in good repair, and that the LESSEE will at his own expense keep the same in good repair, and replace all broken glass, and will deliver up and surrender unto the LESSOR the possession thereof at the expiration by lapse of time or otherwise of the term aforesaid, in as good repair as the same shall be in at the commencement of said term; natural wear and decay, or damage by the elements of electricity (occurring without the fault of the LESSEE, their employes, agents, or other persons permitted by the LESSEE to occupy the premises), or by any act of God, or by means of invasion, insurrection, riot or civil commotion, or of any military or usurped power only excepted.

That in case said premises shall be so injured by fire as to be rendered untenantable, and shall not be repaired by the LESSOR and rendered tenantable within ninety (90) days thereafter, it shall be optional with either party hereto to terminate the lease by written notice at the end of such ninety (90) days, in which case rent shall be paid at the rate aforesaid up to the time of such fire; but in case such injuries are repaired and the premises rendered tenantable within ninety (90) days, the right to terminate the lease for such cause shall not exist, but the rent shall abate for this period during which the premises so remained untenantable.

That any personal property in the demised premises shall be at the LESSEES sole risk, and that the LESSOR shall not be liable for any damage to or loss of such personal property arising from any acts or neglect of co-tenants or other occupants or employes of said building, or any other persons, nor from the bursting, overflowing or leaking of water, sewer or steam pipes, or from heating or plumbing fixtures, or from electric wires.

That front of said premises shall be kept painted by said LESSEE, in the color and manner directed by said LESSOR, such painting to be done at the time and in the manner directed by said LESSOR, but not oftener than once each year.

That LESSEE is to keep the show windows of said premises well lighted from dusk until 11:00 P. M. each day during the term of this lease whether said premises are open for business or not, and hereby agrees to light said premises with electricity only, and to heat said premises with steam only and to buy electric current and steam for the same during the period of this lease from said LESSOR at the usual rate charged to tenants of its building generally therefor, payment for such electric current and steam heat to be made immediately on presentation of bills therefor by the LESSOR, the LESSOR reserving and it is hereby covenanted and agreed by the parties hereto that it is to have the right to cut off and discontinue without notice to the LESSEE said electric current and heat or any other service whenever and during any period for which bills for rent or electric current or other service are not promptly paid by said LESSEE.

That the LESSEE shall be furnished free of charge with water from the apparatus for furnishing same in the building, provided, however, that any temporary failure on the part of the LESSOR to furnish water, by reason of strikes or accidents, to plumbing or to the city water works, shall not entitle LESSEE to any damages or rebate of rent on account of such default.

That the LESSOR shall warrant and defend the LESSEE in the enjoyment and peaceable possession of the premises during the term aforesaid, and all the terms, conditions and covenants to be observed or performed by said LESSEE shall be applicable to and binding on the heirs, executors, administrators or assigns of said LESSEE.

IN WITNESS WHEREOF, the parties to this lease have set their hands and seals to triplicate hereof this .... day of ...., 192...

THE ....COMPANY,
By ....President
(Lessor)

Witnesses:
....
....

....
(Lessee)

HD McMichael, Stanley L.
1384 Long and short term leaseholds
M3
1923

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